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HONGKONG AND THE UNITED STATES EXPORT EMBARGO

At the turn of the year Hongkong merchants, who should perhaps by now have become hardened to the turns and twists of fortune, have been faced with a more serious crisis than any of those through which they have passed during the past year, and this time it looked as if circumstances might overwhelm the thriving industries that have been developed in the Colony since the elimination of Shanghai as an industrial city.

With great initiative and skill, Hongkong manufacturers have built up on modern lines a spinning and weaving industry the products of which have even, as Sir Arthur Morse, chairman of the Hongkong & Shanghai Banking Corporation, has remarked, "attracted considerable attention and demand in the United Kingdom, the original home of the textile industry." They have also not been slow in establishing up-to-date factories where such essentials as aluminiumware, enamelware, plastics, rubber shoes, and other commodities are produced. Further, by the high standard of their wares and by adapting their costs, they have been able to enter markets hitherto closed to them, so that Hongkong, far from being an entrepot mainly for China and the Far East, has become a thriving manufacturing centre.

With the outbreak of the Korean war, Hongkong undoubtedly benefitted in many respects but when, in an effort to prevent strategic materials from reaching China, an embargo was imposed by the United States upon shipments also intended for Hongkong, the Colony found itself faced with a new situation which by forbidding the entry of raw materials threatened to strangle its growing industries. Goods intended for Hongkong were off-loaded at Manila or carried on to Japan and whether in regard to strategic or non-strategic goods, the embargo was drastically enforced.

The best wish that can be expressed for the New Year is that a relaxation of the embargo may be decided upon shortly, to the extent at least of permitting the entry of non-strategic materials or of goods required for local consumption only. Otherwise, a prolongation of the present state of uncertainty may have a disastrous effect upon interests unprovided with sufficient capital with which to weather the storm.

It is so often overlooked, and therefore requires emphasis, that the Colony is not solely an entrepot but furnishes many a valuable service of which full advantage has been taken during the present trouble in Korea. For instance, Hongkong provides a fine natural harbour and offers every facility for repairs and docking, of which the naval forces employed in these waters have been glad to avail themselves. It has also proved itself to be an admirable focal point from which troops can be despatched to Korea at short notice to assist in the United Nations' stand against aggression. Where world politics come into the picture, the United States would be as much concerned as Great Britain if Hongkong's life were to be imperilled through too severe an application of what is otherwise admitted to be a necessary evil.

Perhaps it is not fully realized how important a function is served by Hongkong in connection with supplying the requirements of other countries than China. It is true that this important country takes the major part of the Colony's trade; but whereas during the eleven months that ended with November, China (including Macao) took 44% of the Colony's exports, other Far Eastern countries such as Malaya, Indochina, Burma, Thailand, North Borneo, Indonesia, Korea, Japan, and the Philippines, as well as Pakistan, India and Ceylon, took nearly 33%. It is therefore easy to understand that suffering may be caused in many of these countries if Hongkng is unable to supply them with the goods and materials they need.

During these eleven months, purchases made by Hongkong in the United States came to 17.3% of the Colony's total imports, and it has been estimated that the losses that may be sustained by Hongkong merchants through loss of trade as a result of being deprived of the possibility of obtaining supplies from the U.S.A. may run into a figure as high as HK$1,500 million (£94 million, or US$259 million). This would be a heavy loss for a community to bear that has been swollen to over 2 million by a flood of refugees from China, who have found safety and shelter in Hongkong. If trade falters or many bankruptcies occur, such as may be foreseen if the embargo is not relaxed, the plight of the Colony may well become wretched, burdened additionally as it would be by widespread unemployment and discontent.

For this among other reasons, it is certain that the controls imposed by the United States will be altered as soon as the gravity of the situation has been realized; but even so, some time may elapse before Hongkong is able to obtain goods freely from the U.S. for her own industries as well as for the purpose of supplying other countries than China, and the uncertainty also makes it difficult for manufacturer or merchant to plan for the development of new markets.

The new year is opening on an indefinite note, and it may well be that the future has further difficulties in store for the Colony. But of this each member of this community may rest assured, that a population which in the past has succeeded in overcoming such varied obstacles and has proved itself to be a staunch and responsible trading partner to so many countries, will not fail to carry on if humanly possible.

At any rate it is a pleasure to know that in November, a month beset with difficulties, the trade of the Colony

CHINA, UN AND INTERVENTION IN KOREA

The rift between the democratic and communist countries has become so critical that the collapse of the UN and with it of world peace appears imminent. The Korean war has been the beginning of planned communist expansion in the Far East as far as outside the Soviet orbit, and the peoples and governments in this part of the world fully understand that a violent crisis is approaching. The UN, symbol of peaceful and civilised progress of humanity, is split between two hostile factions—led respectively by the US and the USSR. When the communists today speak of UN they mean the Russian-led minority of members, and the same holds good with respect to the use of the word UN by democratic nations.

Communist China has challenged the majority of UN members and threatens to take militant action in the Far East wherever and whenever the interests of the "people" irrespective of nationality are supposed to be endangered by 'imperialists.' Peking has been allotted, by Moscow, the role of guardian of the communist world in the East and the leaders of the Chinese Communist Party (CCP) show utmost confidence that they will be able to play this role with great success.

In communist terminology UN means the combination of all peoples in one international organisation which, for the time being, has been 'abused' by the 'imperialists' to oppress the minority of menbers who, however, represent the majority of peoples—and therefore, it is argued in Peking, all UN decisions passed without the USSR attending or by overriding Moscow's veto are illegal and not binding on any nation. The CCP is not attempting to blow up the UN as such but it is out to either paralyse concerted action by the US-supporting majority or to secure more support by the "middle-of-the-roaders" and thus to gain eventually the majority of votes in the UN Assembly, All communist parties are of one mind in this endeavor to subvert the UN—the Bolsheviks still being regarded as the leader of the rest of the national communist parties with the CCP now assuming, by virtue of the vast country for which they speak and act, the second place. In the blueprint of world revolution the communists have accorded to the UN a very important position; it is to be the Moscow-controlled organisation of states, communist and new democratic, which it is intended to develop to a counterpart of the pre-war Comintern of national communist parties. While the communists will try to avoid the outbreak of a world war by all means, engaging in subversions and regional military offensives, they will not abandon the forum of the UN and will use it for their 'peace appeals,' and manoeuvering among the irresolute members of the UN. At the same time it is the special task of Peking to utilise the Asian fellowship sentiments, racial prejudices and inferiority complexes, in order to gain support from the non-communist governments in Asia.

The future of the UN under these circumstances beyond the control of the democratic members appears dim. From the very founding of this international organisation—conceived as an improved League of Nations — there were doubts expressed as to its functions in the postwar world where the drift towards another all-embracing war was discernible. The defeated nations, Germany and Japan, were excluded from membership and a number of neutral nations and some other states were also either not invited to become members or they decided not to apply for membership. The UN was primarily an organisation of the victor countries in world war II and it provided many features in its constitution, notably the veto of the so-called big powers, which were found objectionable by a great many members. But on the whole it was considered a step forward that there was a UN and that the weak League of Nations had found a more vigorous successor. With the growing US-USSR antagonism hopes for the healthy development of UN were largely given up—at least by those more realistically and cynically minded observers.

The Korean war has only proved what had been feared long before the UN majority decided to take up the cudgels and challenge the communist sector of the world in its attempt to conquer the so-called free part of the world. The weakness of the UN following Red China's military intervention in Korea has been exposed; Peking has not been branded an aggressor and 'police action' against her has not been decided upon. Obviously Moscow is basing its strategy on the fact that the democratic members of the UN are divided and undecided, their lack of unity and determination stemming from fear lest they arouse the USSR into world-wide aggressions—"for a lasting peace", no doubt. The weight of the Soviet army poised for action is being felt in every country and it is invisibly present in Korea where a UN 'police force' is engaged in defending itself from being thrown out of Korea, the attackers being regular communist Chinese armies. The situation is provocative in the highest degree constituting probably the overture to a world conflagration—unless "wiser counsels" prevail.

THE CHINESE PEOPLE AND THE WAR

Nobody wants war but wars do happen, and the common people have no choice but to see their lives and properties ruined. The Chinese were regarded in the past as more peaceful than their neighbors and this belief has not been shattered by the interminable civil wars which have ravaged the country since the overthrow of the Manchu empire. Being an agricultural country the inhabitants of China were held to be naturally disinclined to wage wars, internally or externally. But the fact cannot be disputed away that China, at least in statistical yearbooks, maintained the largest land army and that war lords, political parties and a host of usurpers of authority were constantly at war with each other. The high degree of over-population was often given as the reason for this anarchic state of internal affairs while any ferocious militarism, such as perfected by the Germans and their Japanese pupils, was denied to exist in China.

Now when the Chinese Communist Party (CCP) has imposed, by virtue of a nation-wide military victory over its opponent, its authority over the whole country and is not being plagued, to any significant extent, by guerillas and other less militant opposition, a state of order has replaced the previous chaotic conditions. The public is not unhappy about the fact that the KMT has been chased away but they do not trust the long-range policies of the CCP and they already see what dangers they are going to encounter in the future with the CCP throwing in its lot with the USSR in the persuit of the 'liberation' of mankind. But the strangling of public opinion, characteristic of any totalitarian regime, has been successful in China and the CCP is going ahead with its, or better say the international communist, program of world revolution and the achievement of a 'lasting peace and a true democracy.' The Chinese people do not understand what is their Cominform-appointed task, they only know that there is no way out of a seemingly machine-like moving fate.

The consensus of opinion is that the present regime has come to stay and that no opposition to the rule of the CCP can be organised. The people are, by & large, politically indolent and law

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showed an increase of 9.2% above that for October, while the trade of the eleven months increased by 48.6% over that for the corresponding period of last year. It is clear, therefore, that given the opportunity, the Colony will not be slow to seize it.

In this spirit, the *"Far Eastern Economic Review"* extends to all its Readers the **Compliments of the Season**, and conveys to them the time-honoured wish for a **Happy and Prosperous New Year.**

abiding as long as the authorities do not exact too heavy taxes. Since the communists took over there has been much praise of their officials' tactful, polite and cooperative conduct, their integrity and the practical absence of graft and bribery. For some time in the winter 1949/50 there has been, for the purpose of suppressing monetary inflation and introducing some measure of stability in commodity prices, oppressive taxation (in money and in kind) but the Peking government was shrewd enough, after having achieved its objectives, to cancel the high and multiple taxation policy and to cease further compulsory subscriptions to the so-called victory loan. With the state budget more or less balanced and financial organisations either well under control or directly operated by the state itself, the need for extraordinarily high revenue has passed.

The recently stepped up military intervention and the all-out mobilisation in China is bound to bring confusion back into the fiscal and financial life of the nation. Though spartan living is being preached, in fact is made an article of faith, the people cannot finance a large-scale war such as is being prepared by Peking. Monetary inflation would seem to be one way of obtaining the necessary means to finance Peking's adventure; on the other hand, a communist state can, as the example of the USSR has shown in the last war, extract what it needs for waging war from the population by means of taxation and forced loans. This course will probably have to be adopted if the present Korean war will prove of long duration and other hostilities will break out in the Far East in which the Peking regime will take an active hand.

The people have noted with satisfaction that the new regime did not ignore protests and this fact has greatly stimulated a sympathetic attitude vis-a-vis the government. Compared with the hectic times under the Kuomintang (KMT) rule, life is now more secure and general conditions appear stable. The masses have enough to eat and their daily rice is assured. On the economic front the communists have achieved a remarkable success. If it were not for the very controversial issue of Peking's foreign policy and alliance with the USSR, the CCP could sleep well. But the hazards of this 'leaning to one side' policy of Mao Tse-tung are formidable and the politically informed public are very conscious of it. The fear of getting entangled, ever deeper, into hostilities with the Western powers is most disturbing and no amount of self-assured propaganda from Peking can change this profound uneasiness. There is however a hopeful feeling that the CCP will find a way out of the present impasse and that a compromise with the US can be made at some cost of 'face' — 'face' which, incidentally, has since the communist Chinese forces' intervention in Korea considerably waxed.

The KMT has practically no chance to stage a come-back. Only in case of war flaring up may Chiang Kai-shek with his one quarter to (at most) one half million strong troops in Formosa attempt a landing on the south China coast, such landing being, for its success, contingent upon extensive US aerial and naval support. Once a landing has been effected and the KMT army has secured certain coastal areas the civil population will quickly show its allegiance and KMT flags will be waved in every town and every village. Such flag waving will however not mean anything—the people are 'neutral' and cannot be induced to take an active part on either side; they will sit on the fence, having been used to it during the Japanese occupation period and the subsequent civil war. Chiang's forces have a military problem before themselves if and when they land, that is they have to fight with the so-called People's Liberation army. If one samples public opinion today, in such cities as Shanghai and Canton, one will arrive at the conclusion that the most frequently given answer to the question of political attitude is negative, that is to say the Chinese will show indifference and neutrality, being reluctant to pledge even token assistance to either of the warring groups. But the rest will unmistakably disavow the KMT and resist that discredited party's return to power in China. Chiang himself may count a large reservoir of good will but it will require his disentanglement from KMT 'bosses' and his attracting new political talent before he can regain more active popular support. The question of Chiang's return is however entirely academic so long as his army is isolated on Formosa. In case of a Sino-American compromise—always a possibility inspite of the present aggravated crisis—the best Chiang can hope for is the continued 'neutralisation' of his island until the interested powers have determined the solution of the vexing issue. There were some hopes, in China and abroad, centred on Li Tsung-jen and a number of other nationalist leaders with a view of having them organising a 'third force' for the eventual formation of a non-communist government in south China. But like wishful thinking and hoping for a split in the CCP high councils and the emergence of a Chinese Tito, the 'third force' idea is not realisable.

The upshot of all political investigation into the question of an alternative to communist rule remains the same: only the KMT (in a reformed and reinvigorated manner) could establish a government in all or part of China if the CCP is, by means of foreign military intervention, overthrown. The policy of Gen. MacArthur appears to be the only logical one; therefore the KMT on Formosa cannot be abandoned, it has to be organised into a more efficient and striking force, to supplement foreign military action. The hour of Chiang Kai-shek struck once again when the North Korean communists embarked on their 'mission' of uniting Korea under the rule of the KCP. If Peking today is recognised by all members of the UN as the sole government of China, the invasion of Formosa and conquest of the KMT forces can be taken for granted (and at the same time the Formosan emancipationists will be deprived of any chance to establish their own government, provided that the majority of the inhabitants really desires it). Considering the implacable expansionist policy of the Cominform, the UN majority cannot be expected to voluntarily grant Peking's admission to membership and the inclusion of Formosa into the communist empire; but without these two issues being settled in favor of the Chinese communists no return to normal conditions in the Far East can be expected. Thus the question of whether to protect and nurture the KMT on Formosa or to abandon that government and recognise Peking is the principal issue before the UN—not the fate of Korea.

The Chinese people are onlookers and refuse to be participants in the struggle; they will not rebel against the communist authorities and they will not, in their hearts, welcome the return of Chiang. Their outlook is largely fatalistic and tragic. The CCP knows that under their regime no chance for a revolt exists and they also know that with growing political indoctrination the youth of China will actively support the communist way of life. Time is in their favor, and the CCP proclaims it every day.

PROSPECTS OF HONGKONG

Since Hongkong was occupied by the British more than 100 years ago the national pride of the Chinese suffered and the return of that island was always a matter of patriotic inflammation; an irredentist movement, centred in Canton, has throughout the century of British rule never ceased to agitate for the retrocession of Hongkong. The KMT has been outspoken on the question of Hongkong but never was this matter really pressed by the Chinese. The communists have also left the issue untouched and have been, in fact, very glad that there was Hongkong through which Red China could maintain its foreign trade. If the Far Eastern situation had not undergone a serious change for the worse, following the outbreak of war in Korea, the question of Hongkong would not have been discussed for a long time. But the prospect of major war operations in this part of the world appears now nearer than even pessimists were anticipating at the beginning of 1950, and in consequence Hongkong's position as a potential naval and military base cannot be overlooked by the communists.

While it is appreciated in Peking that Britain is anxious to remain at peace with China, that Britain would

go very far to placate the CCP and the Cominform, the law of action is in the post-war world no longer dictated or profoundly influenced by London. As for the desires of the Hongkong citizens, of whatever race and nationality, it is obvious to the world that traders hate war and desire to do business with anybody. But Hongkong's wishes have no bearing on the great issues of this age, and if a clash of the two worlds should happen to break out in the Far East this British colony cannot escape its consequences.

The British military authorities have long ago taken precautions; they have assembled in an about 360 square miles large area a force of some 40,000 men, and have considerable numbers of war planes and a large fleet available for the defence of Hongkong. Reinforcements should be speedily on the spot as Singapore is only some 10 flying hours away. The communists may find Hongkong so well defended that they might desist from attacking and this particularly so if, in case of war, an arrangement can be made which 'neutralises' Hongkong.

Macao's problem is entirely linked up with Hongkong's; the tiny Portuguese colony is nothing but an 'economic suburb' of Hongkong, depending for its foreign trade and relations on Hongkong (Macao having only a small river port and no airfield).

The local population is devoted to commerce in its variegated form and therefore the community is overanxious to do business with China and to remain useful to the Chinese neighbor. One feels that as long as China needs Hongkong there will be no danger to its existence as a British colony; but in case of war, China may only see in this colony a beach head which to reduce would seem to be vital to the communist military.

There is however a more sanguine interpretation of the future of Hongkong should war break out in the Far East, viz. that this colony could be successfully held in the initial stage of hostilities and then be reinforced and converted into one of the principal bases for moving foreign and KMT troops into south China. Via Hongkong with its unrivalled commercial facilities (including dockyards, warehouses, spacious harbor, etc.) the invasion of China can be pushed; and the Red Army may retreat into the interior, relying on guerilla warfare.

Confidence in the future of Hongkong is shown by practically all British firms whose new investments are steadily rising; the same can be said of the old resident Chinese 'vested interests.' What occasional attacks of panic there are result from actions, of Chinese flight capitalists from Shanghai and other cities of China. The most remarkable and impressive thing in the present apparently doomed Far East is the stolid confidence in the future which British merchants and financiers not only show but by their very actions prove to an otherwise frightened and jittery community.

THE IMPROVEMENT IN UNITED KINGDOM ECONOMY

The year 1950 has witnessed a striking improvement in Britain's balance of payments and more particularly in the balance of payments with the dollar area. It has been responsible for a rash of speculation about the possibility of an up-valuation of the £ sterling, and has encouraged many demands for the relaxation of sterling exchange control and of import licensing into Britain. It can hardly be surprising that the change in the situation should be a matter of general interest and its implications one of world wide speculation. What happens to sterling concerns many countries outside the United Kingdom. One might, in fact, say that the improvement in the United Kingdom balance of payments and in the position of sterling is the other aspect of the slight softening process to which the dollar has been subjected.

The position of sterling and the state of Britain's balance of payments should thus be regarded as part of a much wider problem, of the gradual economic recovery in the non-dollar area and of the stresses to which the dollar area itself has had to submit over the past few months. The clearest illustration of that problem is to be found in the fact that the United States has been losing gold on a substantial scale for the first time since well before World War II. Since the middle of 1950 the United States gold reserve has fallen by about 1,000 million dollars.

Let us, however, be careful not to exaggerate the dimensions of that movement. Allowing that the United States is losing gold at the rate of about 2,000 million dollars a year, it has also been giving away by way of gifts, or lending abroad, to the tune of rather over 4,000 million dollars a year. These two figures show beyond all question that the United States is still running an appreciable surplus in its current account balance of payments. The position is still under control. If the United States found the loss of gold inconvenient and undesirable, it could be brought to an end tomorrow by stopping gift and loan dollars flowing out of the country. Nevertheless, the position has undergone a fundamental change over the past year; for the first time for over twelve years the visible trade of the United States has recently begun to show an excess of imports over exports.

This relative deterioration of the position of the dollar has nowhere been more striking than in relation to sterling. In 1947 the sterling area incurred a dollar deficit of no less than 4,131 million dollars. In 1948 this deficit had been brought back to 1,710 million dollars and in 1949 to 1,531 million dollars. The figures for the first nine months of 1950 show that not merely has the deficit disappeared but it has been replaced by a genuine surplus of 407 million dollars. Since over the same period Marshall Aid and other means of assistance have brought the sterling area 661 million dollars the centralised gold and dollar reserve kept in London had risen over this period from 1,688 million dollars to 2,756 million dollars.

How does one account for this striking improvement? In most discussion of the subject there has probably been too much readiness to explain it in terms of Korea, of United States Government stockpiling, of exceptional industrial activity in the U.S. economy and of abnormally high commodity prices. These factors have unquestionably been at work and bear some responsibility for the high level of imports of sterling area goods into the United States. But they have done no more than accentuate influences which were already operating when the Korean war began.

What has taken place during 1950 is a gradual, mounting and cumulative response to the forces that were set in motion by the currency devaluations of September, 1949. It is true that the measures to economise dollar imports which were decided on by sterling area countries in the summer of 1949, began to have some effect before the year was out. But it should not be forgotten that whereas the objective was to cut dollar imports by 25 per cent. the reduction has been of the order of 32 per cent. in the case of the United Kingdom and even more in the rest of the sterling area. Here is a clear indication that the price mechanism has been at work just as much as, or perhaps more than, the administrative decisions through which dollar imports were curtailed. It follows that some relaxation in these decisions could be made without inviting an immediate and massive increase in dollar imports.

At the current rate of exchange dollar goods are for the most part too dear to compete in sterling markets. Moreover, with the defence programme getting into its stride in the United States, the export drive of American industries is fast losing its keen edge. Britain's Chancellor of the Exchequer has recently pointed out that despite the change in the world balance of payments situation and the abandonment in the dollar imports cut economy was still the keynote in dollar import policy.

Just as it would be unwise to exaggerate the importance of recent gold losses suffered by the United States, it would be equally dangerous to use the recent improvement in the United Kingdom gold reserves as a spring

THE COLOMBO PLAN

The main facts of this great plan are:—

1. It is a six-year programme of development for South and South-East Asia costing £1,868 million.

2. This total is made up as follows (all figures in £ millions) India, 1,379; Pakistan, 280; Ceylon, 102; the Federation of Malaya, Singapore and British Borneo, 107.

3. The emphasis is on basic development: agriculture, transport and communications and electric power account for over 70 per cent of the total cost of the programmes.

4. Many of the development plans are already under way and the Governments in the area aim to mobilise internal savings to the extent of about £800 million.

5. But this still leaves over £1,000 million to be found from outside the region.

6. The Chancellor of the Exchequer told the House of Commons on the day the Plan was published that Britain's contribution during the six year period, including the repayment of sterling balances, might amount to well over £300 million.

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board for a rash plunge into the deep waters of complete convertibility of sterling and abandonment of all restrictions on imports. In part the improvement in the gold and dollar reserves has been artificial, reflecting speculative operations or at least anticipatory purchases of the sterling overseas buyers will need in the months to come. Moreover, the first priority is still to build up the gold and dollar reserves to a level more commensurate with a policy of freedom in imports and payments. Since the gold reserve must be built up if sterling is to be fully worthy of its responsibilities as an international currency, it would certainly be the height of imprudence to use the recent improvement in the situation as an excuse for up-valuing the exchange value of the currency.

As far as Britain and the sterling area are concerned, the dollar gap has disappeared for the time being. But too short a time has elapsed since the devaluation of 1949 and too much abnormality has characterised the intervening months, to justify the claim that the dollar gap has been finally banished. There is still need for further strengthening of the reserves. Consequently the export drive must go on and economy is dollar imports must be maintained though every reasonable opportunity should be used to relax the controls and to advance towards those twin ultimate objectives of convertibility and free multilateral trade, from which Britain stands to gain so much.

THE BRITISH ECONOMIC POSITION

EXPORTS:—The United Kingdom exports valued at £202.2 million in October pass the £200 million mark for the first time. This means that, by volume, British exports are going overseas at well over 75% above the 1938 level. This was one of the first targets put forward after the war. In a White Paper issued in December 1945, it was stated, "the full restoration of a reliable equilibrium....may require a volume of exports nearer 75 per cent than 50 per cent in excess of the pre-war level."

The steady rise in British exports over the past year is shown in the following table which compares the October figure with the monthly average of previous quarters:—

UNITED KINGDOM EXPORTS (£ million)
(Monthly average of 26 working days)

Last Quarter of 1949	153½
First Quarter of 1950	174
Second „ „ „	178½
Third „ „ „	181
October, 1950	202

The rate of export in the first six months of this year coupled with a volume of import about 10% below the pre-war level and a big improvement in "invisible" receipts, gave the United Kingdom a surplus of over £50 million in her trade and payments with the rest of the world in the first half of 1950. The sustained improvement in the last few months should lead to a sizeable increase on this figure in the second half of the year.

Backing the export drive, and supporting an improvement in home consumption of nearly three per cent by volume over a year ago, has been the big increase in industrial production which has been running this year 8% higher than last.

Out of total United Kingdom exports of £200 million in October one-eighth (£25 million's worth) went to North America.

The following table shows the rise in British exports to the U.S. and Canada over the past year:—

U.K. EXPORTS TO NORTH AMERICA
(Monthly averages in millions of U.S.$)

	To U.S.	To Canada	Total to North America
Last Quarter of 1949	18.7	20.0	38.7
First Quarter of 1950	18.8	23.9	42.8
Second „ „ „	20.4	28.6	48.9
Third „ „ „	30.5	30.6	61.0
October, 1950	36.8	33.7	70.5

The Sterling Area as a whole is now paying its way in its trade and payments with the dollar area. In the first half of this year it had a surplus of over $200 million compared with a deficit of nearly $1,000 million in the first half of 1949.

COMMONWEALTH TRADE & COOPERATION

World trade as a whole is increasing. Recent imports into the United States, for instance, have been at the highest levels for some time. The Marshall Plan countries of Western Europe are steadily increasing trade between themselves and their exports to other areas. Raw material producing countries, such as Malaya, Canada, Australia, New Zealand, Persia and Venezuela, are doing more oversea business., Britain is exporting a record volume of goods. True, some of the increases are partly monetary, due to the recent rise in many raw material prices. On the other hand, the total volume of goods passing between countries is rising.

Within the world picture an increasing amount of trade is being done by a group of countries called the British Commonwealth of Nations, which, it is claimed, is the largest trading area in the world. What exactly does this claim amount to? In figures it means that one-third of the trade passing across frontiers and oceans is done by it. Compared with the next largest area—the United States—its imports are twice as much and its exports one and a quarter time as great, Within itself a vast amount of trade passes.

Geographically it means a "partner" in every continent. First there are the self-governing countries—Australia, Canada, Ceylon, India, Pakistan, New Zealand, the Union of South Africa and Southern Rhodesia. Second there are the British colonial countries and mandated territories with their 65.000,000 people in East and West Africa, the West Indies, Malaya, the Mediterranean, the Pacific and Indian Oceans, and elsewhere. Third there is Britain.

Economically it means a mighty production of almost everything the world uses. Wool, wheat and base metals from Australia; wheat, gold, base metals and wood pulp from Canada; tea, rubber and other useful crops from Ceylon; jute, tea, cotton, oil, leather and metals from India and Pakistan; meat, wool and dairy produce from New Zealand; gold, diamonds, wool, tobacco and wines from the Union of South Africa and Southern Rhodesia; rubber, tin, copper, gold, copra, cocoa, oil, tobacco, bauxite and sugar from the Colonies are only a few of the many raw materials and foodstuffs produced. From Britain's factories and workshops flow machinery, vehicles, ships and manufactured goods of all kinds.

In 1949, it is estimated, the Commonwealth produced nearly one-quarter of the world's sugar supplies, about four-sevenths of its cocoa, almost three-fifths of its rubber, over

three-quarters of its tea, an eighth of its tobacco, and much of its wool and tin.

For a long time it has played a major part in world progress—and since the war, in world recovery. Its assets are complementary in many ways. Britain, for instance, is essentially a workshop with highly specialised experience in converting tin, copper, cotton, wool, rubber and other materials into machinery, cars, tractors, clothing and other essentials which she exports to other members and so helps to increase their production and improve their living conditions. Exchanges are not however, confined to goods, but include technical assistance for development and mutual help in fighting wars or overcoming economic upheavals.

Inter-Commonwealth trading is, however, far from being an exclusive "family" affair. Recent exports to the rest of the world have accounted for over half of total oversea sales, while nearly three-fifths of the Area's imports have been bought from other countries. Still, it is a fact that the war and economic difficulties following it have served to increase trade within the "family". Shortages of dollars and other hard currencies have done more than anything else to increase mutual trade. Exports from Britain to the rest of the Commonwealth, for instance, have recently been about 48 per cent. of her total oversea sales compared with some 43 per cent. pre-war. Imports by her from the rest of the area have risen even more sharply—from 36 per cent. of the total to 44 per cent.

A few examples show how this mutual increase of trade has developed. Canada, for instance, is buying more motor vehicles and agricultural machinery from Britain and so helping her to pay for the supplies of wheat and meat being shipped to the United Kingdom. Australia is also buying many more British cars and supplying more foodstuffs.

Based on 1949 trade, Britain gets practically all her tea, cocoa, rubber and tin from Commonwealth countries, together with about half her coffee and sugar, and two-fifths of her raw tobacco. Against this her sales of essential goods, such as machinery, vehicles. electrical goods, instruments and metal goods, to the Commonwealth are in the region of one-third of her total exports of these items. The value of machinery exports alone in the first half of 1950 was five times the 1938 figure, which even allowing for price increases, represented a large increase in quantity.

Co-operation between members of the "family" is doing much to develop economically backward areas of the world. A great scheme for providing technical assistance for the countries of South and South-East Asia has been launched. This, coupled with practical plans for development, will help to raise the standards of life of the 570,000,000 people living in this vast area. Simultaneously, Britain is providing funds on a large scale for development of Colonial territories—total funds available were recently increased to £140 millions.

Needs of the armaments programmes may have some effect on the future trade of the Commonwealth countries. There may have to be some adjustments of imports and exports. But whatever these may be in fact they will not seriously diminish the total volume of trade passing between members of this great "family."

RECOVERY & EXPANSION OF BRITAIN'S COTTON INDUSTRY

One of the most difficult tasks which many countries have been tackling during the last few years has been the restoration of industries denuded of productive capacity or manpower by World War II. Territories in the actual battle lines have had the biggest struggles. Bombing and fighting particularly in Europe laid waste industrial plant, transport, power supplies. Invasion, notably in the Far East, stripped the earth of much raw material production. Armaments demands snatched labour from less urgent uses. Each left its own particular problems.

Britain's cotton industry, which is centred mostly in Lancashire, in the North of England, is an instance of the loss of manpower problem. At one time, shortly after the war, it looked as though many of the Lancashire cotton workers had left the mills and weaving sheds for good. The first problem, then, was to rebuild the labour force and, at the same time, expand production to meet pent up demands at home and overseas. But as progress was made a further problem arose—of building up the competitive power of the industry by reducing costs, and improving quality and marketing arrangements.

A few facts tell better than anything else the size of the task and the measure of success achieved. The labour force in 1945 was less than two-thirds its pre-war figure. Today, as a result of an intensive recruitment campaign, it is well over four-fifths its 1939 level. Production of yarn, which had fallen to half its 1937 rate, is now more than three-quarters of the pre-war total; and it is rising steadily. Cloth production is now one-and-a-half times its 1945 rate. Part of these improvements are the result of higher average output per worker.

Improvement in the labour force is the result of a combined attack on the problem by the industry and the Government. Provision of canteens, recreation and other amenities in the mills and the setting up of day nurseries to look after the children of married women have done much to help. Well over £10 millions, it is estimated, has been spent on worker services and welfare since 1941. One good result of the improved facilities is an increase in the numbers of young workers entering the industry.

Re-organisation and re-equipment of the mills is another story of hard effort. To encourage re-equipment Govt. formulated a special financial subsidy scheme. Though this has not been used quite as much as expected plans so far submitted cover modernisation of about one-third of the spinning side of the industry. On the manufacturing side it is reckoned that the number of automatic looms in use has more than doubled since the war and these modern machines now account for one-eighth of the total looms running.

Along with these efforts a new factor came into the picture. It is called redeployment. And it means the better use of labour, as for instance, by rearrangement of duties, enabling a worker to increase output, and by the introduction of new methods of working. The traditional number of looms worked by the Lancashire weaver was four. About one-half of the looms are now being worked at a higher rate—up to eight per weaver, in some cases.

Major changes such as these have been far from purely mechanical operations. The human factor has been much the most important. It has been met by joint consultation between workers and managements. Relations in the industry are today far better than has ever before been known. Wage incentive schemes have done much to help reorganisation, and Lancashire cotton operatives know today that their extra effort will be rewarded in proportion to the savings in costs. Some mills have been able to reduce production costs by as much as one-half and to increase wages by a quarter or more.

A great deal of technical work has been accomplished, particularly in the use and development of new artificial fibres. There also has been a rapid change in production in the last few years. For instance, the proportion of rayon staple fibre processed by cotton spinners, has almost doubled in the last two years, and the proportion is still rising. During the war Britain instituted her "Utility" scheme. Clothes, furniture and other essentials were produced under it to certain minimum standards of quality and size, and at regulated prices, mostly well below those for similar non-utility goods. Cotton goods provided a wide range of utility clothes and materials. Today "Utility" output is still large.

Lancashire has had a tough fight to regain her exports markets, which dwindled to almost nil during the war. While there is some way still to go before pre-war levels are restored, the volume of overseas sales has been

ECONOMIC POLICY OF INDONESIA

The economic structure of Indonesia—based upon the export of agricultural products—is directly influenced by fluctuations in the world market and thus, to a great extent, is dominated by developments beyond its control. The Government's basic economic policy is to build up a sound national economy, freeing Indonesia from its one-sided colonial economy to a more balanced one which will be less vulnerable to outside influences. The changes necessary for transformation to a national economy must be brought about gradually, but throughout the entire system.

Farming constitutes the backbone of the Indonesian society but unfortunately the farmers' position is the weakest. Two main obstacles impeding their progress are the lack of capital and inadequate technical knowledge. To achieve a sound national economy, the Government will focus its attention on this majority group to improve its standard of living and strengthen its position in the community. To this end, an "emergency" program will be instituted, aimed at: A. Increasing production of goods for domestic consumption as well as for export. B. Importing goods, particularly capital goods, required for developing native industry. C. Assisting in the formation of such organizations as cooperatives through education and training and by granting credits within the Government's financial limits.

Industry must be expanded and agriculture diversified. The Government plans to increase industrial activity by encouraging the establishment of those industries which produce the goods essential to the people. Existing machinery will be utilized to full capacity and in the Government's industrialization program, the following basic industries have priority: a. Textile, b. Agricultural equipment. c. Processing plants (particularly for rubber and copra), d. Housing and building materials.

To increase technical know-how, a training program will be offered to young people interested in commerce, enabling them to manage existing and new enterprises. An Indonesian Economic Academy will be established in cooperation with private organizations. Since practical experience is a prerequisite in commercial and industrial endeavors, the Government hopes that existing private firms will give the Indonesian people an opportunity to participate in their organization as well as to occupy managerial positions. It is believed that this policy is reasonable and in the interests of the enterprises concerned.

To stimulate the cooperative movement, the Government plans a program of education and training so that the small producers can consolidate their efforts and increase their purchasing power. Schools will be established throughout the areas to train administrative personnel. By the end of 1951, it is anticipated that five thousand administrators will constitute the framework of the cooperative movement. Civil servants will be trained to execute and implement the programs involved. Granting credits to meet the lack of capital will be handled by transforming village credit banks into village cooperatives, through subsidies and by establishing institutions as guarantors. The function of the Copra Fund and the Rubber Fund will be adjusted to meet the Government's economic policy.

The favorable position of Indonesia's trade balance is encouraging; however, it is not the Government's intention to utilize at this time its foreign exchange proceeds as a decline is anticipated in the presently high price level for exported raw materials in the world market. For that reason, such proceeds will be retained for the future.

The Government's import policy will be guided by the basic and essential needs of the people. Exports will be considered as the means of providing purchasing power for those goods which cannot be produced domestically. Thus the Government hopes to establish trade relations with countries offering goods at the best terms and to which Indonesia can sell its products to the greatest advantage.

The continuation of bilateral trade agreements concluded jointly with the Netherlands will be reconsidered in the light of the country's benefit. Expanding trade relations with Indonesia's neighboring countries is evident by the recent negotiations and conclusion of agreements with Australia and India.

The Government is aware of the tremendous need for capital to rehabilitate and expand production facilities. All efforts will be made to raise the income of the people so that they can purchase not only their daily needs but can maintain a reasonable surplus. These savings will gradually build up a capital reserve for future expansion and development. The need for foreign capital, both private and public, is urgent and the Government is presently making a study to determine the fields in which foreign capital will be most beneficial and the conditions for such investments. The Government is prepared to offer satisfactory and reasonable guarantees. Approval of foreign investments will be dependant upon the nature of the enterprise and, to a certain extent, participation of Indonesian capital. Within its financial limits, the Government will allow reasonable transfer of profits and depreciation.

The development of a national economy is closely related to the communications and transportation system; this is particularly true in Indonesia—an archipelago stretching over a distance of 3000 miles. Improvements in postal, telegraph and telephone communications as well as land and air transportation are presently limited because of the shortage of material, lack of capital and insufficiently trained technical personnel. Foreign technicians will be employed to overcome the temporary shortage of Indonesian experts. To achieve uniformity and an efficient distribution of material for the communications and transportation system, the Government believes that this field should be centralized in the initial stages of development and improvement.

To promote harmonious employer-labor relations, legislation will be introduced, setting forth the recognition of trade unions, collective labor agreements, minimum wages and industrial safety regulations.

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growing steadily. Exports of woven piece goods, for instance, have been running recently at a rate not far short of 60 per cent of 1938. This is the total of these exports; corresponding figures for the Commonwealth are about three-quarters of the pre-war rate.

Though this progress brings some satisfaction to Lancashire, those in the cotton industry—managements, workers, trade union leaders, merchants and others—who realise the problems still ahead, are far from complacent. Much remains to be done in the way of modernisation of mills and improvement of output per worker. Automatic looms are being installed as fast as their production permits; production methods in many mills are being studied by experts; old traditional methods are being scrapped; design and marketing are being rapidly improved. Lancashire cotton is determined to recover its full pre-war eminence throughout the world.

PRESENT POSITION OF JAPANESE INDUSTRIES

Iron and Steel

At the peak of its production (1938) the output of ordinary steel products in Japan's iron and steel industry including that of Korea and Manchukuo reached 5,300,000 tons, but in 1945, it was reduced to 710,000 tons and in 1946 to 320.000 tons. However, it has begun to show signs of rapid recovery since 1948, and the output in 1949 reached 2,260,000 tons. It continues to be normal this year, especially with the present Korean conflict as a turning point. It may be expected that this year is likely to witness an output of about 3,000,000 tons.

The output of steel products including both ordinary and special reached in 1943 the highest peak of 7,930,000 tons, occupying 5.3% of the entire world production.

Since the outbreak of the Korean Conflict up to September 20, that is, for the period of three months, the amount formally contracted with the authorities of the procurement department of the American Forces was 53,553 tons for primary products and 24,612 tons for secondary products making a total of 78,165 tons.

Directly confronting the expansion of armaments throughout the world with the present day conflict as a turning point, the export of iron and steel products is getting very active. As indicated in the following table, exports in July show that it is double the 33,000 tons shipped in average monthly last year, figuring more than 66,000 tons. The export may reach 80,000 tons per month soon.

Export Shipping
(Unit: Metric ton)

	Monthly average for 1949	June	July
Half - finished products etc. ..	9,635	28,626	27,948
The primary products	18,873	22,394	26,606
The secondary products	4,470	12,616	12,031
Total	32,978	63,636	66,585

The export and special demand this year may be considered as exceeding 1,000,000 tons and may even be anticipated to reach 1,500,000 tons for the next year. Hence it will be seen that the initial program for this year, namely, 1,930,000 tons of blast furnace pig iron and 2,500,000 of ordinary steel products would be insufficient, and the Government has set the goal of getting about 2,160,000 tons of blast furnace pig iron and 3,300,000 tons of ordinary steel products. Furthermore, for the coming year, a plan is being drawn up to secure 2,800,000 tons of blast furnace pig iron and 3,500,000 tons of ordinary steel products. Judged by the prospective demand and by Japanese capacity of facilities, such figures could by no means be an exaggeration, but the problem is whether Japan could smoothly import raw materials to meet the output or secure at home sufficient amount of iron and steel scraps to cover the demand.

The output for iron and steel for the present year as shown in the following table is quite normal and smooth, so that Japan can hope to secure the line of production for the year, i.e. 2,000,000 tons blast furnace pig iron and 3,000,000 tons of ordinary steel products.

Average for the year	Blast Furnace Pig Iron	Ordinary Steel Products
	thousand tons	thousand tons
For the year 1949	125	189
April, 1950	156	233
May, „	172	243
June, „	171	294
July, „	170	233
August, „	167	254

The question hinges upon the coming year. There are 11 blast furnaces operating at present (26 not operating, one of which is anticipated to be put into operation sometime in October) and the yearly official operating capacity is 2,000,000 tons. There are 272 open hearths (306 not operating), and the yearly official operating capacity is figured at about 4,500,000 tons. As to blast furnaces, a shortage of about 650,000 tons for the year is anticipated so that there is a necessity of kindling five furnaces of 600 tons each. Further, about rolling mills, there are at present 256 operating (124 not operating), with the official operating capacity of about 7,200,000 tons which will be sufficient in respect of volume but when classified according to description of output, there is a need of expanding facilities for the making of thin plates, high grade art metal sheets, tin plates and blast iron tubes etc.

Problem of Raw Materials.

The raw materials needed for the present year in producing 2,160,000 tons of pig ron will be caking coal of 1,500,000 tons and 2,700,000 tons of iron ore. A major portion of these materials has to be imported, and the amount recently kept in stock is about 320,000 tons of caking coal (caking coal imported per month is used at the rate of about 100,000 tons) which will last for a little over three months while the 320,000 tons of iron ore (iron ore imported per month consumed at the rate of about 120,000) will last somewhat less than three months.

However, as mentioned before, due to the present Korean conflict the increase is strongly called for, and with the prospect of high prices of materials and difficulty of obtaining them, the import progran of raw materials after July this year has swollen up so that for the period between July to March the coming year, iron ore is figureed at about 9,900,000,000 yen, and caking coal at about 6,900,000,000 yen, making a grand total of 16,800,000,000 yen.

Import used to be performed between Governments, and the Public Corporations were using finance funds so that makers could take over the amount of materials needed at any time desired, and the settlement of account was something quite loose. However, when import passed into private hands, importers are required to provide funds to take delivery of imported goods, but with the financial ability of importers and makers it would be impossible to meet the situation. If the use of usance bills was recognized as in prewar days, the problem would not be serious, but at present, usance is only recognized by foreign banks, and dollar settlement must be made at sight. This is quite a problem, and importers could not hold their own under the dircumstance. They used to finance themselves by using 2 months trade bill. However, in the latter part of September, the system was decided to allow 90 days for yen payment at a lower rate of interest after the arrival of shipping documents.

One cannot overlook scrap iron and steel as a problem of materials. At present, there is a dearth of sources of scrap at home. Makers are exercised over the securing of these materials, which is causing gradual rise of prices. What could have been obtained formerly at Y4,000 or Y4,500 has gone up to Y5,500 at the lowest. To meet the situation, importation of scrap from the South Seas is being contemplated, but since their prices and volumes are quite unknown, there would be a great deal of difficulty in realizing the plan.

Up to June this year, steel prices for the benefit of consumers were kept down quite low as subsidies were granted to producers, but beginning with July, these steel subsidies were discontinued so that it was expected that prices would go up to cover the withdrawn subsidies. Makers then taking into consideration the market condition set up prices which were considerably below the makers' prices.

However, with the present Korean conflict the steel market became very firm. The fixed prices recently published show that prices are much higher than former makers' prices. Not only that, market prices for steel are much higher than those set up by makers.

With reference to export prices, with the Korean conflict as a turning point, and due to the general world tendency for increased military preparation, prices have by degrees gone up, and in some lines, they are quoted even higher than prices in Japan.

Fuels and Power

COAL

The price of coal in Japan is still higher than the international one. Standard coal is traded at over 3,000 yen per ton, the original cost, and as to higher grade coal its price is nearly 5,000 yen. This fact is to blame for the high cost of Japanese industrial products. Coal production has increased up to some 3,200,000 tons per month and its short supply has ceased to exist, but it is necessary to secure supply of swollen caking coal of 1,000,-000 to 1,500,000 tons annually for iron and steel production. Such being the case, attention is now focussed upon the future import of Kailan Coal from China. The amount of coal required to meet the "Special Procurement Demand" is estimated at 100,000 tons per month at the largest. So it does not affect greatly the present stock of nearly 4,000,000 tons.

PETROLEUM

Crude oil is produced in Japan to the extent of barely meeting 10% of its total demands. Refined oil has been imported until last year by means of the GARIOA Fund (the Government Appropriation for Relief in Occupied Area) to cover its shortage. But from the beginning of this year the operation of refining plants along the Pacific coast was resumed, with the result that import of refined pertoleum was on the whole replaced by that of crude petroleum. Further a part of its import is expected to be made on commercial accounts from this October.

The aggregate demand for the fiscal year 1950 (from April 1950 through March 1951) is estimated at 3,083,000 kl. of which only 260,000 kl. will be produced by refineries in Japan from domestic crude oil and 1,469,000 kl. of refined oil are slated to be imported from abroad. As to refined petroleum, the import of 1,057,000 kl. of B heavy oil, 283,000 kilolitres of C heavy Oil and 60,000 kl. of lubricating oil is now under contemplation.

One of the greatest inconveniences which petroleum refineries feel at present is the fact that such crude petroleum as is imported through the GARIOA Fund is not uniform in quality, Kuwait, Seria, Elkhills and what not being brought in. They experience much difficulty in coping with the situation from both the technical and commerical viewpoints. With the refining facilities the production of high class lubricating oil lags behind and asphalt is overproduced, causing unsalable stockpiles of the latter. Production responding to demand is thus impossible.

The first agreement for foreign investment in Japan's oil industry was concluded last year between Toa Nenryo K. K. and the Standard Vacuum Co., Ltd. Under this agreement, 51% of the total stock of the former is held by the latter. This year it is anticipated that Caltex Co., Ltd. will sign such an agreement each with Nippon Sekiyu K. K. (Nippon Oil Co., Ltd.) and Koa Sekiyu K. K. (Asia Petroleum Co., Ltd.) on 50-50 base. Negotiation is also underway between the Shell Co. and Showa Sekiyu K. K. (Showa Oil Co., Ltd.) for induction of foreign capital. Thus, the petroleum industry in Japan is going to be held subject to Anglo-American petroleum companies in every respect, and its operation will depend upon the foreign companies and the international situation. At present, however, the Japanese petroleum business is still under strict state control, so fruits of foreign investments will not ripen before control for distribution and price is abolished.

ELECTRICITY

It is a long time since the reorganization of the electric power enterprise has become a topic of the public subsequent to the promulgation of the Excessive Economic Power Deconcentration Law in December 1947. It was on February 21, 1948, that the reorganization became unavoidable following the designation of the Japan Electric Generation and Transmission Company and nine Electric Power Distribution Companies as falling under the said Law. The matter was subjected to scrutiny first by the Electric Industry Democratization Committee on Economic Deconcentration which however, failed to bring any concrete results. Later, some reorganization plans were announced through various sources, official and private. Among them were: a single company plan for the whole country (the Japan Electric Generation and Transmission Company); a plan calling for maintenance of the status quo (part of the above mentioned Company and the Electric Workers' Union); 3 blocks reorganization program (the Electric Power Industry Democratization Committee); a 5 blocks program (the socalled Kobayashi plan); a 7 blocks program (the 5-men Committee on Economic Deconcentration); a 9 blocks program (each Electric Power Distribution Company; an Electric Power Accommodation Company plan (the Electric Power Industry Reorganization Committee); a 10 blocks program (the General Headquarters), etc., etc.

Finally, the question of reorganization of the electric enterprise was tentatively solved with the adoption of the 9 blocks reorganization program, though it left a number of important questions still unsettled, such as adjustment of regional disparity of charges, development of electric power and scale of the contemplated enterprises which, it was feared, might surpass that of the present Electric Power Distribution Companies—a state inconsistent with the spirit of the above-mentioned Law. It also involved a complicated problem of rival interests, making the whole aspect the more difficult. Added to this, there arose a collision of opinions between the Electric Power Distribution Companies and the Japan Electric Generation and Transmission Company. The former advocated an immediate reorganization of the electric enterprise by breaking the status quo in order to bring about industrial rehabilitation and increased production. The latter voiced against such a hurried reshaping from various angles, asserting that though not necessarily opposed to the plan if some gain were to accrue from it toward industrial rehabilitation and national economy (e. g. increase of electric supply, improvement of quality, reduction of charges, etc.), it was sure such a step would rather worsen the present situation, so long as electric power accommodation, electric power development, and power prices go. Consequently, the matter failed to be submitted to the 7th Extraordinary Session of the Diet.

On July 7 the Minister of International Trade and Industry received an informal memorandum from General Headquarters to the effect that they think it desirable to have the reorganization of the electric enterprise carried out without delay and that they will not permit any loan from the Counterpart Fund for the 1950 fiscal year to the electric enterprise so long as it remains in its present shape. This means that, pending the reorganization of the enterprise, no permission would be given the plan to supply 14,500 million yen out of the Counterpart Fund (including a Y13,800 million loan to the Japan Electric Generation and Transmission Company) for the development of electric resources. Consequently, the Japan Electric Power Generation and Transmission Company will find it increasingly difficult to procure the necessary fund, and it is feared that the Company may possibly fail to pay a considerable sum of construction expense and suspend some works under way during next month.

Owing to the release of 7,900 million yen out of the Counterpart Fund during the 1949 fiscal year. various works to develop electric resources have been stated — for hydro-electricity, at 22 places, 353,000 kw capacity; for thermal electricity, at 7 places, 21,000 kw capacity; construction of power-transmission wires, 14 lines, 1,207 kw capacity; construction of transformer substations, 645,000 kVA capacity. The expenditure carried over to the current fiscal year over these works is 13,830 million yen, permission for the release of which out of the Counterpart Fund is now under request. If the permission be further delayed, the works would have to be suspended, to say nothing of inevitable retard of industrialization of Japan, which would result in stoppage of orders for electric machineries placed with various makers or in accumulation of outstanding accounts.

Machinery

MACHINE-TOOLS

The production of machine-tools suffered a serious blow after the termination of the war, and its recovery was extremely slow, hampered as it was by the difficulty of foreseeing reparation requirements. The average monthly production in 1946-47 dropped to 10 to 20 percent of that in the basic year of 1937 (3,704 tons). There are only a few makers specializing in this line at present and all others are making them as a side line just to maintain their status as makers and to preserve the technique. When the existing machine tools are 100 per cent obsolete this phenomenon cannot be overlooked. The Commerce and Industry Ministry tried to boost their production on the "Machine-Tool Central Production Program for 1948," securing loans and materials for the designated makers with priority. This helped to revive the production, and in the same year 9,370 sets of machine-tools representing 83 percent of the production goal of 11,203 were produced. In January, 1949, they succeeded to turn out 826 sets (502 tons) uplifting the production to record high in post-war years in respect to the number of sets. However, production began to decline again; the downward trend was accelerated still further by the sharp decline of anticipatory production. Thus. in 1949, the monthly production averaged 375 tons as against 451 tons of the previous year, showing a marked decrease. The cause was the balanced Budget based on the Dodge Line. Worse still, the mass release of machine-tools which followed the abandonment of reparation claims darkened the prospect. The situation of their demand and supply here calls for a step to suppress as far as possible the import of such machines as can be manufactured at home, although certain superior kinds of them which are considered helpful for the promotion of the technical skill and those unable to produce in Japan will have to be imported even in the future. Japanese products are exported chiefly to the markets in Asia where there are British and German products to compete with. Particularly some of the German-made goods are unbeatable in price. In order, therefore, to bring down the price of Japanese products and to improve their quality, it is essential to sucure the supply of uniform materials of good quality as to increase the production. The outlook of their export is far from being bright. The anticipation for the Government releases following the abandonment by the victor nations of the interim reparation claims, coupled with the presence of numerous used goods tends to cause the demands to concentrate on the special-line machines to the exclusion of the ones for universal use. The special procurement demands that may arise in the wake of the Korean war are anticipated in this field, too, either directly or indirectly, and the prices of the new machine-tools as well as of the used ones have already gone up 10 to 20 per cent partly due to increased price of raw materials and partly to the prospect for higher price in the future.

BEARINGS

The production of bearings in Japan started with the foundation of the Nippon Seiko Co., Ltd. in 1914. Until 1930, they were made chiefly as parts of machines manufactured abroad, and nigh precision ones were entirely imported. During the ten years from 1930, Y240 million worth of them, calculated at the old official price, were imported. But the War brought about tremendous demand and the industry made remarkable advance both in quality and quantity of its products. The production in 1944 was Y15.4 billion, compared with Y48 million (in terms of present price) in 1930. During the War the industry suffered damages amounting to Y150 million, and lost 11% of its equipment and machinery and 15% of the total floor space of plants. With the termination of the War, demand from war industry stopped altogether and requirements of other industries slackened. But the biggest blow fell on it in the form of reparations. The Pauley Mission earmarked all the plants, except Fujisawa and Tamagawa plants of the Nippon Seiko Co for reparations, and fixed the maximum amount of production at Y32,500 thousand per year calculated at the price in 1934-44. Later, Strike and Jonston Missions recommended to release many of the plants from reparations and the United States Government supported the recommendations at the Far Eastern Commission, but no actions have been taken as yet. With the recovery of manufactures, their applications to convert their plants for the production of civilian goods are being approved one after another and with it the amount of production is increasing. (1946: 7,400 thousand pieces, Y1,700 million; 1949: 10 million pieces, Y2 billion).

Bearings are chiefly exported to India and South-East Asia. Owing to the shortage of dollars in Sterling area, suspension of Open General Licence, the establishment of single rate for Yen, etc., export has declined rapidly from the peak of Y27 million in July, 1949. Moreover, the inactivities of all industries since last year and the recovery in production of bearings brought about decline in domestic sales. At the end of September, 1945, the amount in stock was double the amount of monthly production and this ratio has been always maintained at this level since then, while sales credit reached Y700 million (about four months' sales) at the end of March, 1950 (the biggest debtor was automobile industry), giving them trouble in financing.

There are world-wide shortages of supply of bearings and the Japanese products are in demand in S. E. Asia where their price is less than half that of European and American products. The recent reopening of Open General Licence gives hope for the future of export, but the quality of products still constitutes the problem. It is not always good owing to worn-out and over-driven machinery and inferior materials. In order to improve it, installment of new machinery and equipment or repairing of old ones are desirable. But the prospect of raising fund for equipment is not bright, because the plants ear-marked for reparations payments may not be mortgaged, while the industry is experiencing difficulties to get working fund. The most effective way to solve this difficulty is to cooperate with leading foreign manufacturers and the industry is keenly desirous of getting foreign investment, but so far nothing has been done in this respect. If the development of machinery industry is indispensable for self-supporting of Japan's economy, the demand of bearings for this purpose would be enormous, and the prospect of the industry may be bright in the long run. At any rate it is desired that the industry would be wholly exempted from reparation payments.

WATCH AND CLOCK INDUSTRY

Watch and clock industry has a fairly long history in Japan. It reached a well advanced stage after World War I and its subsequent remarkable progress made it one of the important export industries. At its production peak in 1939, 3,300,000 watches and clocks were manufactured. But production was reduced after World War II to 70,000. It, however, showed steady recovery with promising future to become a leading export industry. In 1949, production increased to 3,050,000 pieces. Export of its products has also made steady progress since the reopening of civilian trade in August, 1947. Export increased from 100,000 in 1947 to 540,000 in 1949. From March last year, however, export received a strong blow because of acute dollar shortages in the sterling area which is a principal destination of watches and clocks (about 65% of total export), suspension of O. G. L. (open general licence) in India which took 60%. and 30% devaluation of sterling in September. Export dropped from the highest peak of 170,000 ($28,000) in March 1949 to 20,000 ($45,000) in December of the same year. However, in March this year it increased up to 40,000 ($80,000). Though it is anticipated that export may increase on probable inclusion of watches and clocks in special trade items under the Anglo-Japanese Trade Agreement and re-opening of O. G. L., the recent export slump adversely affected the production which diminished from the peak of 300,000 of May 1949 to a little less than 200,000 of January this year, with no increase since.

As to problems to be solved in the future, rationalization of production will come first. It is hoped to equip factories with modern automatic machines. Capital needed for the purpose is expected to be Y300,000,000. Secondly, cost reduction is necessary to promote export. Market prices generally

increased by 20—50% owing to the lift of government control on prices in July last year, revision of electric charges and cut of steel subsidies. On the other hand, speedy increase of effective demand, both domestic and foreign, is not expected in a short span of time. In the circumstances, business circles concerned are at present urging the needs of yielding profit through cost reduction by rationalization instead of through production increase. At least 10% reduction in cost is made a target now. As for import of foreign capital, only those companies which have achieved world-level efficiency with the promise of considerable profits can expect it. Though a few watch makers may come under this category, no foreign capital has yet been got by them. Foreign capital is wanted mostly in the field of technical development, to be more exact, in reducing production cost, and introduction of up-to-date high efficiency automatic machines to replace old machines. Makers are at present in great difficulty in obtaining necessary operational funds and are not in a position to purchase new machines with their own money. In the circumstances, import of foreign capital is essential in loan, investment or any other form.

Shipbuilding Industry

The Japaneses merchant marine, with ships totalling six million gross tons, occupied the third place before World War II, following the United Kingdom and the United States. During the War, efforts were made to enlarge the capacity of shipyards and to build new ships, but they were not enough to cover the war losses and, at the time of the surrender, there were left only 1,200 thousand gross tons of vessels, which were comprised mostly of war-time standard vessels of inferior quality.

There are at present 99 shipyards capable of constructng steel vessels. Their total annual capacity is 800 thousand gross tons, but from the number of workers employed their actual capacity is estimated at about 400 thousand gross tons. After the War, the continuation of war-time works and the new building under four programs gave them works averaging from 100 thousand to 150 thousand gross tons annually until 1949. Of course such amounts were not enough to operate them at their full capacity. 70% of the funds required to construct vessels under the new building programs had been financed by the Reconstruction Finance Bank until 1949, when extention of new credit by the said Bank was suspended as a means to balance the budget and to curb the inflation. However, in recognition of the importance of the shipbuilding industry it was authorized to use the Counter-part Fund to finance new programs. Under the fifth program, about 300 thousand tons are now being built with 55% of the necessary fund provided from the Counter-part Fund. Moreover, they have been awarded contracts to build more than ten ocean-going vessels for foreign shipowners. Therefore, large shipyards with equipment to build ocean-going vessels are practically operating at their full capacity.

However, under the sixth program the investments from the Counter-part Fund are expected to be reduced and only 150 thousand tons may be constructed. On the other hand, orders from overseas are getting harder to accept due to the rising cost of construction. Thus the shipyards are faced with the prospect of lower operation.

Followings are some of the problems:—

(1). Although there are surplusses of medium and small-sized vessels for coastal service, there is a shortage of ocean-going vessels for overseas routes. Therefore, new orders are being given to big shipyards capable of constructing large vessels and the medium and small-sized shipyards are in a predicament. Moreover, diesel engines, which are more economical, are in demand, but the number of shipyards capable of making them are limited.

(2). The prices of steel materials for ship building are higher than those prevailing in the world market. At present they are about US $95 per ton in average. Unless they shall come down to about $65 per ton, it is believed to be impossible to construct vessels, which may compete in the internation market. Yet it has become increasingly difficult to cut down the cost of iron and steel because of the abolition of subsidies.

(3). Welding technic in Japan is very backward compared with that in other countries. As the quality of steel materials is inferior, it will require some time before welding will entirely replace rivetting.

(4). All the Japanese ships were chartered by the Civilian Merchant Marine Commission until March 1950, but since April they were returned to private owners. But owing to various restrictions vessels fitted for oversea services were inactive, while there was such over-tonnage of coastal service ships that 600 thousand gross tons of them had to be laid up. Consequently, freight rate dropped continuously and the ship-owners were unable to make both ends meet and were not enthusiastic about the sixth ship building program. In order to dispose of such enormous overtonnage, the Government adopted a policy to purchase 600 thousand dead weight tons of old ships and war-time standard vessels in order to scrap them. They have received sales offers amounting to 450 thousand tons in response to this policy.

With the outbreak of the conflict in Korea, marine transportation became active and the freight rates for both overseas and coastal services have shown a tendency to rise, resulting in the increased desire to build new ships. But under the present circumstances, the difficulty to raise necessary funds for ship building is being keenly felt and the fulfilment of the sixth program is considered doubtful. On the other hand, the Japanese economy's dependence on marine transportation is so great that the enlargement of merchant marine is very urgent.

Textile Industry

With more than 80 million people crowded in a land scarcely larger than the state of California, Japan has to depend upon import for supply of food to feed them, and as a branch of the export industries designed to offset such import, she has to consider the promotion of cotton spinning industry.

As may be seen from the following record of Japan's post-war export, cotton goods have been occupying since 1947 a far larger proportion of the total amount of exports than in 1935 when 2,700,000 yards of cotton piece goods were exported, and their importance as export items is becoming more and more conspicuous:

	Total Export in dollars	Cotton Goods	
1947	$173,568,000	$ 85,606,000	(49.3%)
1948	258,621,000	92,400,000	(35.7%)
1949	509,275,000	191,787,000	(37.7%)

Needless to say, the promotion of export trade is not a problem which concerns cotton-spinning and other textile industries alone; it concerns all other industries as well. It offers a problem for the future of Japan. Cotton-spinning, may be regarded as one of the most suitable export industries for Japan, if one takes into account the rich supply of labor and technological know-how available as well as the favorable climate and the traditional relation it has to the living of the rural population.

From this standpoint, it is welcome news that through the goodwill of America who has been supplying CCC cotton since the termination of the war, all restrictions on the plants were finally removed on June 27, this year. This will not only serve to help promote Japan's export trade but also open up a prospect for meeting the keenly-felt needs of people who have been running out of clotning for these ten years. Despite the temporary pressure on domestic demands brought about by the Korean war, the people now have a bright outlook for the future of its cotton-spinning industry. All cotton-spinning companies are planning increases of spindles, and toward the end of 1951 their total is expected to reach 4,800,000 spindles, but for the supply of raw cotton Japan has to rely on the goodwill of America.

The export of cotton cloth is expected to reach 1,000,000,000 yards this year showing the record high in the post-war years, yet supply for domestic use is still desperately short. The industry hopes for a smooth import of raw cotton, the recovery of the markets lost during the war, and attainment of

accurate knowledge about the demands in over-seas markets. With this end in view, it will be necessary to avoid the overlapping with the products of the United States as well as of Great Britain and India.

The import of raw materials is as badly needed for the woolen textile industry as for cotton spinning, but at present only a small proportion of the former's products are exported, showing striking constrast to the lively export of cotton goods. In 1937 before the war, when the industry was at its peak, as much as 889,000 bales of wool were imported, and in 1940-41 there were 1,620,000 spindles for carding and 723 weaving machines in operation. The production, however, was chiefly directed toward meeting the domestic demands, as it is at present, which means that, as is the case with food import, it has never been above meeting the internal demands. This situation is expected to persist for some time to come. The demand, however, is fast increasing as the result of the post-war change in the clothing habit of the people, who are now mostly wearing western style clothes. Besides, requirements for the police reserves and the personnel of the marine safety corps will add to the demands for wool. It is, therefore, essential that the necessary minimum of wool be imported.

The restrictions on the plants were removed in June 27, along with those on the cotton spinning industry, and by the end of July the wool spinning industry had attained the goal set for its restoration. Upon completion of the projected increase of spindles the industry will have in March next year about 758,000 spindles representing 50 percent of the number she had during the lushiest days. To keep them in operation an annual import at least of 300,000 bales of wool is desirable, which estimate is a conservative one arrived at by taking into consideration the performance-record in the pre-war days and also the skilled blended-spining-method which consumed smaller amount of wool.

Japan naturally favors the allocation of the purchase quotas the U.S. Government is said to have proposed to the Australian Government, as she believes that the step will serve to prevent the boosting of the prices by buying pressure, and enable her to purchase wool at reasonable price within the confines of the Sterling-area trade agreement.

Other textile industries, like those of rayon staple fibre, ramie and linen, are all striving to stabilize the prices of their products, improve technical skill, mechanize the process and achieve bulk production, Silk, however, is subjected to constant fluctuation in its price on account of unstable price of raw material because the supply of cocoons depends on manual labor of farming communities and because it involves many factors which make it highly susceptible to climatic influence. This circumstance is unfavorable for its export as well as for domestic supply, and in order to achieve the much-longed-for stability in its price, it will be necessary to think out some measures for stablizing the price of the raw material, although the establishment of the silk-exchange may help to improve the present condition.

The chemical fibre industries such as those for artificial silk, staple fibre and other synthetic fibres have been making remarkable progress, and they are now operating with satisfactory result, modernizing thier equipment, uplifting technical skill and improving the process through adoption of American methods. Especially the synthetic fibre industry has been carrying out mass production, overcoming difficulties and their products have all the attractions of the "new fibres."

Hemp industries including those of linen and ramie have long been serving the military needs, which fact has been deterring the technological progress in these industries with the result that their products show less progress than other varieties of textiles.

Linen industry, however, enjoys favorable conditions inasmuch as 80 percent of the needed raw material can be obtained within the country. Ramie industry also is promised a bright future, because the needed raw materials can be supplied by Asiatic areas.

Chemicals

PAPER-PULP

The prewar pulp production capacity in Japan reached approximately 1,940,000 tons a year, but at the war's end it dropped to 1,072,000 tons, a 45 percent decrease, as a consequence of the loss of Karafuto (Japanese Saghalien), Korea and Formosa.

As regards the percentage of diminution in the different branches of production, sulphite pulp tops the list with a 67.3% decrease, followed in order by soda pulp 61.3%, kraft pulp 51.4%, rayon pulp 50.3%; and ground pulp with a 21.9% decrease stands bottom.

Owing to the great loss of pulp equipment capacity and the excessive deforestation carried out during the late war, postwar recovery of pulp production has been slow as a whole. Individually, sulphite pulp production is much lower than that of the other kinds while ground pulp production is recovering fastest. The latter phenomenon is accounted for partly by the fact that ground pulp factories, whose equipment are on minor industry level, were widely distributed all over the country and suffered comparatively light war-damage; and partly by the abnormal demand for paper during some years immediately following the end of the war when customers were satisfied with any paper offered, regardless of its quality, and many factories preferred production of ground pulp whose process is simple to that of sulphite pulp which requires more capital and technical skills than the other.

This marked loss of balance between sulphite pulp and ground pulp industries in point of their respective equipments, capacities and outputs has created needs, from technical and material viewpoints, such as to force pulp-paper mills in postwar Japan to shift its gravity of production to low grade articles.

Before the war more sulphite pulp had been produced than ground pulp. Reckoning the prewar output of ground pulp as 100, sulphite pulp claimed 109.5 in a prewar year, but after the war it dropped to the neighborhood of a ratio of 2 to 1, producing only 46.0 in 1947 and 56.7 in 1948. Such an unbalanced recovery of this particular industry has given an impetus to manufacture of low grade paper through ample supply of material, but is hindering production of high class paper. An analysis of operation of the various plants makes these phenomena more clear. The rate of operation of the ground pulp plants, in spite of their rapid recovery, is somewhere around 90% of the sulphite pulp factories whose productive revival index is low. This fact tells its own tale that the equipment capacity of sulphite pulp factories has already reached its maximum limits.

Increased supply of ground pulp has not only eased the demand and supply relation of pulp of all kinds, but also has caused demand for paper to move from lower class goods to high class ones with the result that elimination of low class paper makers is now being called for. The more high class paper is demanded, the more is intensified shortage of sulphite pulp. This shortage of supply, moreover, is a phenomenon throughout the world and makes a big problem at present.

Now that the equipments of sulphite pulp plants are concurrent with those of rayon pulp plants, pulp makers may naturally choose to produce the latter. On the other hand, the pulp cost in chemical fibre industries as consumers of rayon pulp is much less than that of paper mills and they can afford to use more expensive pulp.

The present shortage of sulphite pulp is fundamentally owing to insufficient equipments. Pulp imported for the purpose of easing the domestic demand and supply relation, is exorbitant in price, so paper mills have to pool both domestic and foreign pulps in order to keep up the present standard of operation and at the same time to reduce the cost.

SODA INDUSTRY

The soda industry in Japan knowing little about utilization of chlorine ten years ago depended upon on ammonium process chiefly. It has, however, adopted an electrolytic process since the late war, following extensive utilization of chlorine and stimulated by the inadequate supply of raw materials.

Salt as raw material is all imported from abroad on account of shortage in domestic salt. While salt represents only a few per cent in the cost of production in the United States and Great Britain, it exceeds 20% in the case of Japan.

Consequently, the selling price of salt used in the soda industry has been fixed at a lower rate (a special price of Y3,000 a metric ton) than that of the other industrial or culinary salt, with a view to protecting the industry.

Salt was imported during the war mainly from East Asia within the Japanese sphere of influence, but since the end of the war it is being imported from more distant countries in consideration of its quality among other things.

Accordingly, freight rates occupy a greater part of the cost of salt as raw material. According to the experience of last year, the FOB price amounted to only about $5, while the CIF price of salt per metric ton was $19. The freight charge has become a little cheaper this year, yet it occupies 60% of the price of salt. Old vessels may well be fit for transporting salt.

The Japanese soda industry which stands at a disadvantage in regard to the price of raw materials is favored with a cheap and abundant power supply. These is no other way than a high intensification of use of chlorine. Although the induction of American technique may be preferable, the royalties are too high.

A greater part of "special procurement demand" for chemical drugs, due to the Korean conflct, is related to the chlorine industry. It is, therefore, desirable in order to meet this special demand that the designations of reparations shall legally be withdrawn at the earliest opportunity.

The grant of subsidy for soda has been stopped since October 1, this year. The Price Board, however, announced that it would maintain a price control for a while, as it was feared that the price would rise abnormally in view of the prevailing condition of supply and demand. According to the price list published by the Board, the producer price is based on the cost of production through ammonium process.

Makers depending on ammonium process have commenced to manufacture ammonium chloride with a views to pulling out of difficulties, but they will have to exert a great deal of effort to keep pace with producers of fertilizers, as they have trouble solving the question of moisture-absorption and effectiveness of their products as fertilizers.

It is desirable, in view of the soda industry being one of key industries, that some protective measures shall be taken. The system of grants having already been abolished, those concerned in the industry are continuing their efforts for accomplishing its self-sufficiency, marking the year of 1953 as the goal.

CHEMICAL FERTILIZER

The chemical fertilizer industry in Japan after the surrender started on its way to recovery as a short cut to an increase of food production, so its productivity has been almost restored to the prewar level, and the amount of production of calcium cyanamide exceeds that of the prewar period. But, as the industry which has been brought up in a hot-bed of subsidy was only placed off control for the first time in 13 years last August, the producers are developing a close selling combat.

Ammonium Sulphate

Manufacture of ammonium sulphate is an industry most suitable to Japan which is poor in resources. Japan has no plants that use natural gas as a hydrogen source, but she may be proud of a cheap and abundant supply of electric power. The present ratio of production by gas process consuming coke to that by electrolytic process is 2 to 1. The cost of production by the former process is, however, higher than that by the latter, as the rate of increase in the price of coke is higher than that of electric power.

Some makers have succeeded in reaching the prewar level as regards material ratio of unit production. Accordingly, the major problem of lowering the cost lies in mass production. In view of the destruction of big fertilizer plants in North Korea, the prospect of export of fertilizers to East Asia is very bright in future.

Calcium Cyanamide

Calcium Cyanamide is used as fertilizers to the same degree as ammonium sulphate. Its price is almost equal to that of the latter, but it may decline a little in future. However, not only its products as fertilizers are not yet in a state of crystallization, but its manufacturing equipment is not fully mechanized. Its advance toward the field of organic and synthetic chemical industry is also rather slow.

Calcium Superphosphate

As Japan has no phosphate rock sufficiently in the country, subsidy is granted, at present, for import of it. It is the hope of the industry that phosphate rock of good quality can be imported continuously.

Sulphuric Acid

Eighty percent of the total amount of sulphuric acid produced in the country is being used for manufacture of ammonium sulphate and calcium superphosphate, which is almost enough to meet the demand of fertilizer producers, so that it is exceptional that they buy sulphuric acid.

Production of sulphur and pyrites is not active, owing to the price ceilings fixed on them. It seems that, if control on them is lifted, the balance of supply and demand may properly be adjusted.

With regard to fertilizers which contain no sulphuric acid component, such as urea fertilizer, complete fertilizer, and other, their manufacture is still in its infancy.

Rubber Industry

The demand and supply condition of crude rubber is as follows: Whereas the actual consumption of crude rubber in 1936 was approximately 60,000 tons, the importation of crude rubber increased gradually in post-war years: 16,000 tons in 1947, 27,000 tons in 1948 and 39,000 tons in 1949. The supply in this year is expected to be 70,000 tons, a little over the prewar consumption level.

In addition to about 32,000 tons to be imported by foreign currency allocated from the opening of civilian trade in January last until the 4th official announcement of allocation ($16,525,000), about 23,000 tons will be imported under the newly adopted system of "automatic approval", 2,000 tons for "preferential foreign currency" and about 7,800 tons by the Government in this year. In addition to those consignments, there is 11,000 tons left from the previous year. In total this year's supply is more than 70,000 tons, well over the prewar level.

The monthly consumption of rubber since June last has averaged about 5,000 tons, and total consumption in this year is expected to be about 5,500 tons.

As to the stocks, there were only 5,500 tons plus slightly over one month's supply at the end of July. However, the stocks have steadily increased since August, and a flow of consignments under "automatic approval" system is also expected in future, so they are estimated to reach between 14,000 and 20,000 tons at the year-end. As a result of this increase of stocks, domestic rubber price is at present somewhat below the price in producing countries.

On the other hand, all the stocks purchased at low price was sold out by the middle of October with the result that the domestic price will swing back towards that of producing countries. Both importers and dealers will make efforts to cover the increase of expenses resulting from stock-piling by raising the price.

The present bottleneck in the rubber industry is the short supply of cotton cloth, which is almost impossible to obtain at official price. The Government recently has raised the selling price of raw cotton about 20%, so the official price of cotton cloth is expected to be revised in the near future.

Recently the price of rubber goods is steadily increasing, reflecting the rise of crude rubber in oversea markets. For instance, the prices of automobile tires and tubes showed a 15% increase in mid-June and another 25% rise in mid-August. Actually the rise in price is well over 40% as compared with the prewar price. It is expected that the price will further be increased by 15 to 20%. In such a condition, one automobile tire (32×6) is expected to exceed Y20,000 at maker's price. (It was Y12,500 on June 20th.) Prices of other rubber goods are also on the rise. Prices of rubber belts, footwear and

others are expected to be about 130% of the price in June. So far as rubber products are concerned, the bulk of so-called "special procurement demand" is at present mostly for automobile tires, and makers now have orders for about 80,000 tires (Y1,500,000,000). This figure is about equal to the monthly capacity of tire production in Japan and may bring substantial pressure on the domestic market.

Fat & Oil Industry

In 1936 Japan consumed 133,000 tons of vegetable oil and 126,000 tons of fat, totaling 260,000 tons, of which approximately 60,000 tons were imported. Besides, 1,070,000 tons of raw materials were imported. This means that Japan was relying on import for 70-80 per cent of oil and fat consumed by its people. The consumption reached the peak in 1939 with 433,000 tons, and during the war it gradually declined until 1945 when the consumption was as low as 14,000 tons. In the post-war years the consumption gradually rose as imports increased. Thus in 1947 Japan consumed 33,000 tons of fat and oil, in 1948, 80,000 tons and in 1949, 140,000 tons. In the current year their supply is expected to reach 210,000 tons, with import estimated at 160,000 tons and indigenous products at 50,000 tons. The minimum requirements of fat and oil as of the basic period of 1930-34 being estimated at 190,000 tons, it is expected that the equilibrium of demand and supply will be restored this year. In the meantime, controls were lifted from some kinds of fat and oil in April and July this year (such as peanut oil, beef tallow and lard produced in Japan, and also whale oil excepting the product of whales caught in the Antarctic). The Government wishing to decontrol all fat and oil has been negotiating with SCAP, but due to certain difference of opinion within the Government and some doubts as to the exception of soya-bean oil decontrol was postponed for some time.

Before the war, the nation's consumption of soap averaged 101,000 tons in 1930-34 period and reached the peak in 1939, when 209,000 tons was consumed. During the war it was dwindling until 1945 when the consumption dropped to 4,000 tons. However, with the increase of the supply of oil and fat, the consumption of soap gradually rose and in 1949 it stood at 30,000 tons. In the current fiscal year a supply of 100,000 tons is expected, bringing up the figure close to that for 1930-34 base period. Thus, the control of soap for home use was lifted on July 20. Its prices are still centrolled, but a cake of soap (100 grams) whose official price is set at Y21.40 in now being sold in markets at a price ranging from Y18.00 to Y20.00, or below the official price. Of late, the Price Board authorized 11 manufacturers to sell their high class products at special prices ranging from Y50 to Y100. The advent of these superior quality soaps shows that their production is fast regaining the pre-war level both in quantity and quality.

Cement Industry

The highest record of production the Japanese cement industry has ever shown was 6,206 thousand tons achieved in 1940. The actual production in 1949 was 3,474 thousand tons or 57% of the highest record. The present capacity being 6,200 thousand tons (15 companies with 33 factories), the industry is operating at about 65% of its capacity. But the amount produced itself comes after tonnage of the United States, Great Britain, Germany and France, and equals that of Belgium.

Lime stone and coal, which are the principal raw materials, are produced in Japan and there is no need to rely on import. Neither is there any trouble in getting other subsidiary materials. The high price of coal is a sore subject as it is to many other industries. But waste heat after baking is being used to generate electricity, thereby reducing the cost of coal correspondingly, so it is not a matter of grave concern.

Cement, due to its nature, can not be preserved for long and its production has to be always adjusted according to its demand. The rate of operation of the industry, which is 65% of the full capacity is far below those in other leading countries. For example, it is 83% in the United States, 80% in Western Germany and 76% in India.

Generally speaking, latent demands of cement, which is one of the basic materials for post-war rehabilitation, are considered to be great. The main causes of inactive demand are the postponement of various works due to shortage of money and the delay in construction of dams to develop electricity supply using the investment from Counter-part Fund. Japan can count on the increase in demand when reconstruction works begin in Korea after the termination of military action.

In 1949, 444 thousand tons or 13% of the total production were exported (destination : Manila, Korea, India, Hongkong, Singapore and Okinawa). The highest record of export was made in 1937, when 567 thousand tons, or 9% of the total production in that year of 6,130 thousand tons, was shipped. It is clear from these figures that export has never amounted to much. Cement is heavy in weight but low in price and cannot bear high freight rate. So long as there are no big manufactures of cement in the countries close to Japan, there is the possibility of meeting the demands in the markets of South-East Asia. Great Britain and Belgium, two of the leading producers, are exporting 1,858 thousand tons and 1,078 thousand tons respectively and India and Indonesia are their good customers. The proximity of Japan to these markets, together with the above mentioned nature of cement, will enable her to compete easily with these countries provided she can solve the following problems.

(1) To know exactly the market condition of consumer countries, which is almost impossible under the present circumstances, where travelling abroad is not free.

(2) That Japanese ships are allowed to enter foreign ports and given equal treatment as ships of other countries are accorded.

(3) That the price of paper bags for packing will be lowered to international price level.

The important problem facing the cement industry is not how to secure raw materials or how to compete with other countries in foreign markets. Rather, it is how to use the present equipment which has out-grown the consumption. In other words, it is how to stimulate effective demands, and the most crucial question in this respect is how the demands will be affected by the conflict in Korea.

Fishery Industry

Although the per capita catch of the Japanese fishermen was smaller than that of the other countries due to the presence of great numbers of fishermen, Japan's fishing industry was leading the world before the war. At that time, the fishing industry had about 400,000 fishing boats and two million fishermen, landing 1,400,000,000 kan (Kan= 3.75 kg.) of fish, and the Northern Pacific, one of the richest fishing grounds, was open to Japan, in addition to the coastal fishing grounds which constituted the mainstay of the industry.

During the war, however, the landing declined sharply due to the shortage of fuel, commandeering of fishing boats, enlistment of fishermen, etc. until it dwindled to 38 percent of the pre-war level in 1945. From 1946 on, the landing of fish has gradually increased by dint of the Allied Authorities' release of fuel oil, and by the betterment of the situation with supply of labour and material until it rose to 760,000,000 kan representing 61 per cent of the prewar level.

A Japanese requires at least 17 grams of animal protein a day, of which amount two-third, namely 12 grams, is supposed to be supplied by fish.

In the basic years 1930-34, the nation's per-capita consumption of fish was 19.9 momme (protein, approx. 6.5 grams). If the consumption is to be kept on this level, an annual supply of 860,000,000 kan of fish will be required, while the production as at present is hardly enough to meet the demand. Thus it is evident beyond all doubt that a decided increase is needed of the landing of fish.

As the result of the defeat in the war, Japan lost extensive fishing grounds in various areas, which means annual production shrunk by 420,000,000 kan. The war-time loss of fishing boats was recovered speedily within a year or two, and they were rushed to the shrunken fishing grounds to be used in the more profitable trawling fishery and bonito and tuna fishing.

The trawling in the western waters (From Long. 130 East) meaning East China Sea—has been operated, and in 1949 the landings amounting to 66,650,-

000 kan, were enough to satisfy 50 per cent of the needs of Kyoto-Osaka-Kobe area and other consumer-centers of western Japan. However, the fishing grounds allowed to Japan are now only one-third of its pre-war ones in area, and they are considered inferior as fishing grounds. The fishing boats whose number is now greater than it was in pre-war days are operating in the shrunken fishing grounds. This fact has necessarily brought about deterioration of fishery resources and decrease in the unit catch. The decline of the price of fish which has set in since this spring and the higher prices of fishing tools resulting from the discontinuation of governmental subsidies intensified the difficulties of the fishing enterprises. The loss sustained by the west-area trawl fishery is said to have amounted to Y2 billion and the industry is virtually on the brink of ruin. In order to save them from total collapse, the step is being taken to decrease the number of boats under the Fishery Resources Conservation Law. This measure which seeks to adjust the fleet of fishing boats at a great sacrifice of discarding 30 percent or more of them now in operation evidently runs counter to the nation's need for an increase in fishery production, but in the absence of any better way, it may have to be accepted as an inevitable one, so long as the desire for easing of restrictions on fishing grounds remains unattended.

In the east-area (From Long. 130 East) trawl fishery, the number of trawlers has increased from the lowest 1,300 to 2,800, and they grew in size too. The major part of the fish they catch are young fish not yet ripe for spawning, because they have caught gradually all of the see-bottom fish, except in Hokkaido area. Thus these fishing boats flocked in great numbers at the few fishing grounds as promised good catches.

In the net-operation fishery, increasingly larger fishing boats began to be used will greater efficiency in drawnet and pouch-net fishing which constitute the backbone of this branch. Further increases in the number of nets will lead to a confusion similar to that in trawling.

Confusion is seen also in the mackerel-pike fishery. In the past there were only about 2,000 fishing boats engaged in this branch of fishery, but their number increased to approximately 4,000 last year. It is said that unnecessarily large number of them flocked in the offiing of Hokkadio, each with brightly lit lamps on it, and as a result banks of mackerel-pike were kept from coming down south.

All this confusion is attributable to the fact that there are too many fishing boats as against the area of the fishing ground which has shrunk as a result of the war and to the limited fishery resources. While increases of fishery production is longed for, in reality it is imperative to decrease the number of fishing boats to that level which would suit the shrunk areas of fishing grounds.

The boats engaged in bonito and tuna fishing increased by 31 percent in their number and 88 percent in tonnage over the pre-war level. Here again the fishing boats are growing too large in number. In the summer last year accordingly, it was expected that a good number of them would have to be tied up before long due to difficulties in management, but fortunately the expansion of the fishing grounds has since been permitted. This fact constitutes one of the most powerful causes of the present lively export of canned bonito and tuna in oil.

The canned-goods industry for which Japan ranked only next to the United States before the war, was hit hard by the war. Last year, the production was 1,670,000 cases, showing the highest record in the post war production, but this figure represents 10 percent of the figure for 1939 when production mounted to the record high with 17 million cases. The reason why it is unable to recover the pre-war level of production inspite of its having the facilities capable of turning out 12 million cases is that, apart from the shortage of cans and condiments, pink salmons, trouts, pineapples and other raw materials became unobtainable. Before the war Japan used to export as many as 3 million cases of salmon and trout, but the loss of the Northern Pacific fishing ground dealt a fatal blow to the industry.

Last year, only 400,000 cases of marine products were exported, and this figure represents only 8 percent of that 1939. With the advent of the current year, the export of canned bonito and tuna in oil began to mount, due partly to the favorable situation created by the expansion of the grounds for bonito and tuna fishing, and during the first half of the year more than 400,000 cases of them were exported. There is already a fair prospect of their exports' climbing upward over the pre-war record. No great increase, however, can be expected in the total volume of exports in this field since the Northern Pacific fishing ground is not yet accessible to Japan. The goal for the export is set at two million cases, but this is far below the amount of the export of salmon and trout alone in the pre-war years. Moreover, if America, to which more than 50 per cent of the total amount of exports are directed, chooses to raise the import duty on canned tuna as reported, and if the export is kept unchanged, there will be no hope for its export, and its production will have to be suspended. The outlook is by no means bright in this field.

THE JAPANESE CEMENT INDUSTRY

Under the favorable conditions of an abundant domestic supply of raw materials and a large potential demand for cement as an essential material for the modernization of Japan, the cement industry of Japan witnessed a rapid development not long after the dawn of modern Japan following the downfall of the feudalistic Tokugawa Shogunate in 1868. By the time of World War I the industry had become one of the representative industries of this country, having reached the world level in both quantity and quality of cement production.

In view of such favorable conditions for development, there has always existed keen competition within the cement industry. In the incipient period of the 1880's (the first cement factory in Japan was established in 1873), as many as 19 cement companies were established one after another. Up to the present time a total of 76 new companies have been established, but 61 of them have been liquidated by dissolution, suspension of business, or merger with other companies. Thus there remain at present 15 companies, operating a total of 33 factories.

Notwithstanding this reduction in the number of cement companies and also the heavy wartime reduction and destruction of plants by air-raids, transfer to other areas and the loss of overseas factories, the existing 15 companies still have a total theoretical productive capacity of six million tons a year. If some repair is made, it is believed that the existing equipment of Japanese cement companies is capable of producing enough cement to meet both the estimated annual domestic and foreign demands of about 3.5 million tons and 500,000 tons, respectively.

Nevertheless, owing to overwork during the wartime and deficient repair in the postwar period, a general superannuation and deterioration of equipment has taken place, and consequently many of the cement enterprises need renovation of equipment in the near future. Under such circumstances, it behooves these companies to provide adequate accumulation of capital at the present time in order to prepare for such future requirements.

The present goal of the Japanese cement producers is to produce by the efficient use of the existing equipment high-grade cement in the maximum quantity and at the lowest possible cost. To this end, they are concentrating their efforts toward the rationalization of operation and the acquisition of markets for their products.

Supply of Raw Materials and Fuel

With the exception of very small quantities of such auxiliary materials as rubber for power machinery and Kraft paper for wrapping cement, Japan is almost completely self-sufficient in the raw materials directly or indirectly needed for the manufacture of cement. Particularly with respect to the principal ingredient of cement, Japan has throughout the country large deposits of excellent quality limestone, which gives the Japanese cement industry a favorable economic climate for its development (see Table I). There are also adequate domestic supplies of other raw materials, such as clay, silica, slag, etc.

TABLE I

DISTRIBUTION OF LIMESTONE QUARRIES AND CEMENT FACTORIES

District	No. of limestone quarries	Of which, quarries used by cement companies	No. of cement factories
Hokkaido	4	1	1
Tohoku	13	3	3
Kanto	21	7	5
Chubu	24	4	3
Kinki	8	4	4
Chugoku	13	6	5
Shikoku	7	4	1
Kyushu	29	19	11
Total	110	48	33

Note: The figures for both the quarries and factories related to the cement industry represent those which are being actually operated.

The same can be said of the supply of fuel necessary for the calcination and desiccation of cement. In Japan coal is invariably used for this purpose, except for the manufacture of white cement. Though in the postwar period there was a time when the supply of coal was short owing to lack of necessary mining equipment and miners, the situation has improved and at present the quantity and quality of coal available are adequate to cover the requirements of the cement industry. It should be noted, however, that the cost of coal, especially high-grade coal, has risen in the postwar period (though it differs according to area, the average cost of 6,000-calory coal delivered at the cement factory is US$12), which high cost of coal places the Japanese cement producers at a considerable disadvantage in respect to fuel cost as compared with cement producers in other countries.

This self-sufficiency in raw materials constitutes a great advantage of the Japanese cement industry, which is thereby able to sell its product relatively more cheaply than the other export industries of Japan.

Equipment and Volume of Production

In was during the period of about seven years from about 1935, when the Manchurian Incident expanded into a Sino-Japanese war, to the end of 1941, when the Pacific War broke out, that the Japanese cement industry possessed its maximum capacity and registered its maximum level of production. During this period an average of 42 factories operating about 120 rotary kilns produced annually about 5.7 million tons of cement, which output was the fourth largest in the world, ranking next to those of the United States, Britain and Germany (see Table II).

TABLE II

PRODUCTION OF CEMENT

Fiscal year	No. of cement companies	No. of cement factories	Monthly capacity (1,000 tons)	Annual output (1,000 tons)
1931 ..	17	30	472	3,282
1933 ..	17	31	580	4,317
1935 ..	24	39	915	5,531
1937 ..	29	42	1,073	6,104
1939 ..	27	43	1,199	6,200
1941 ..	20	30	802	5,838
1943 ..	13	34	551	3,768
1945 ..	11	34	277	1,176
1946 ..	11	36	380	927
1947 ..	14	35	393	1,232
1948 ..	16	34	397	1,843
1949 ..	15	33	425	3,271
1950 ..	15	33	517	4,100*

* Estimate.

With the outbreak of the Pacific War, however, the allocation of coal for such non-strategic industry as the cement industry was steadily reduced as the fuel situation grew more and more critical as the war progressed. In addition, some of the cement factories were transferred to the Southern Regions, while others were obliged to effect conversion of production. Furthermore, toward the close of the war, direct damage was sustained from air-raids. The effect of all these adverse factors was a sharp reduction in both the productive capacity and volume of production of the cement factories.

Let us take the situation in 1946, the year following the year of Japan's surrender. The monthly productive capacity was 200,000 tons, being only about 18% of the prewar peak monthly capacity of 1.2 million tons as of December 1939. The average monthly output for 1946 was only 77,000 tons, being only 15% of the prewar peak average monthly output of 517,000 tons registered in 1939. It can thus be seen from these comparisons that the Japanese cement industry suffered a severe degradation in consequence of the war.

Fortunately, however, the great postwar demand both at home and abroad for cement as an essential material for postwar reconstruction has given the Japanese cement industry a chance to recover as a peacetime industry.

To be sure, for about one or two years after the war there existed various production bottlenecks in respect to equipment, supplies, raw materials and technology. Especially the shortage of coal was at one time the greatest obstacle to increasing cement production. However, with the steady recovery of coal production under the guidance and assistance of SCAP officials and by the adoption of a priority production formula for the coal industry, the stringent supply of cement in the postwar period was steadily eased and the various controls over the price and distribution of cement were completely removed by January 1950.

Cement production in the recent several months is shown in Table III. Although production is still far below the prewar peak record, if the present

rate of production is maintained hereafter, the goal of 4.1 million tons set for the current fiscal year (April 1950-March 1951) is expected to be exceeded by about 100,000 tons. In the next fiscal year production is expected to show a 10% increase over the current fiscal year.

TABLE III
CEMENT PRODUCTION AND CAPACITY, BY COMPANIES
(Capacity and production in thousands of tons)

Producer	Monthly capacity (Jan. 1950)	No. of factories	Average monthly production (Jan.-July 1950)
Nippon Cement	115.1	9	67.2
Onoda Cement	91.8	8	62.2
Iwaki Cement	81.5	4	37.0
Osaka Ceramic	51.2	1	24.7
Chichibu Cement	37.7	1	24.4
Ube Kosan	33.8	1	27.1
Tokuyama Soda	17.1	1	11.4
Toyokuni Cement	15.0	1	11.5
Sangyo Cement	13.5	1	6.4
Tsuruga Cement	12.6	1	8.5
Hitachi Cement	12.0	1	6.6
Daiichi Cement	11.9	1	7.4
Toyo Cement	11.6	1	7.9
Nozawa Asbestos Cement	7.0	1	4.6
Yawata Iron and Steel	5.6	1	3.5
Total	517.4	33	310.4

Managerial Form and Status of Cement Companies

As already stated, there are at present in Japan 15 cement companies, all of which are private corporations, there being none which have any affiliation with the Japanese Government or foreign corporations in the way of management or capital participation. Since this absence of any affiliation with the Japanese Government or foreign corporations arises from the general characteristics of the cement industry, namely, (1) relatively simple technology required for the manufacture of cement and (2) the comparatively cheap construction cost of cement factories, it is hardly conceivable that there will occur any changes in the managerial form of Japanese cement companies by way of affiliation with the government or foreign corporations. Internally, however, there is a strong possibility that there will be again a tendency toward the merger[1] of the smaller companies by the larger ones under the free competitive system which has already returned as a result of the abolition of control.

A classification by groups of the existing 15 cement companies may be made as follows (see also Table III).

A. (1) Nippon Cement (formerly Asano Cement), (2) Onoda Cement and (3) Iwaki Cement.

B. (1) Osaka Ceramics and (2) Chichibu Cement.

C. (1) Toyokuni Cement, (2) Sangyo Cement, (3) Tsuruga Cement, (4) Hitachi Cement, (5) Daiichi Cement, (6) Toyo Cement and (7) Nozawa Asbestos Cement.

D. (1) Ube Kosan, (2) Tokuyama Soda and (3) Yawata Iron & Steel.

Groups A, B and C comprise companies which are exclusively engaged in cement manufacturing, while Group D comprises those which produce cement as a side line. Companies in Group A are leading cement manufacturers with a number of working factories (Nippon Cement has nine, Onoda Cement eight and Iwaki Cement four). When the proposed merger of Toyo Cement by Iwaki Cement is carried out, each of the three foremost cement manufacturing companies will have a monthly productive capacity of around 100,000 tons. Their combined capacity will constitute about 60% of the total national capacity. The other exclusive cement manufacturers have each one factory only, but among them Chichibu Cement (monthly capacity of 37,000 tons) and Osaka Ceramics (monthly capacity of 51,000 tons), both of which belong to Group B, have relatively large capacities and their products enjoy good sales in either the domestic market (in the case of the former company) or the export market (in the case of the latter company). On the other hand, the seven companies belonging to Group C generally have a short history and are relatively small in scale, but each of them has its own geographical advantages and also special technique. All of them are in a satisfactory condition at present.

Companies belonging to Group D are producers of cement as a side line, their principal business being in lines other than cement manufacturing, such as coal mining and fertilizer manufacturing (Ube Kosan), soda manufacturing by the ammonia process (Tokuyama Soda) and iron and steel manufacturing (Yawata Iron & Steel). Beside possessing firm foundations in their respective principal lines of business, they have advantages of flexibility of operation and easy access to such raw materials for cement production as limestone, coal and slag, the production of which is closely related to their principal lines of production. Moreover, with the exception of Yawata Iron & Steel, which produces blast-furnace cement, the companies in this group have almost the same producing capacity as the companies in Group B.

Export Situation

The Japanese cement industry is one of those industries which originally developed against a background of abundant domestic resources and brisk domestic demand for their products. The industry had relatively little connection with overseas markets. However, as the result of over-expansion of facilities during World War I and the narrowing down of the domestic market in the subsequent period of depression, a noticeable increase in cement exports took place after 1930.

In the postwar period, there has been no appreciable change from the prewar period in the distribution of the export markets for Japanese cement. China (through Hongkong only at present), the Philippines, India, Indonesia, Thailand (and the former Japanese possessions Korea, Formosa and Okinawa in the postwar period) are the principal markets. Fair amounts of cement are also exported to Africa and South America.

Table IV shows the trend of cement exports since 1937. Generally speaking, about 40,000 to 50,000 tons of cement, or about 10% of the total national output, have been annually exported from Japan. (However, in the prewar period shipments to the former Japanese possessions accounted for about the same quantity as the cement exports to other countries).

TABLE IV.
CEMENT EXPORTS
(Volume in thousands of tons)

Calendar year	Volume of cement exports	Percent of total output
1926-30 average	325	10
1931-35 average	422	10
1937	625	10
1939	395	6
1941	206	4
1943	17	*
1945	0	0
1946	0	0
1947	4	*
1948	140	8
1949	485	15
1950 (Fiscal)	600**	15**

* Less than 1%.
** Estimate.

Note: Prewar exports do not include shipments to the former Japanese possessions Korea, Formosa, Okinawa, etc. The shipments of cement to these areas were about equal to the cement exports to the other areas.

It should be pointed out that in the postwar period up to about September 1947 practically no export of cement was made because of low cement production due to the short supply of coal, as already explained, and because of various trade restrictions. At best the industry was able to meet the domestic demand only. However, in view of the brisk foreign demand for cement and the imperative need of acquiring foreign exchange, exports of cement (4,000 tons to Hongkong and India) were commenced in October 1947 for the first time after the war. Thereafter exports sharply increased to 140,000 tons in 1948 and to 486,000 tons in 1949, thus closely approaching the prewar level.

During the first six months of the current year an average of 50,000 tons per month has been exported. Total cement exports for the current year as a whole were expected to reach 600,000 tons, but some decrease from this figure is deemed unavoidable because of the suspension of exports to Korea after July in consequence of the outbreak of hostilities there (shipments of 20,000 tons to that country had been expected for the period after June). However, there has been a considerable increase in the domestic demand since the outbreak of hostilities in Korea and, more-

Note: 1. Mergers and other similar actions are, however, subject to the approval of the government pursuant to the Anti-Monopoly Law and the Deconcentration Law, both of which have been enacted in the postwar period.

over, the demand for cement for reconstruction and military purposes there will surely increase hereafter in view of the development of the Korean War in favor of the United Nations Forces. So, sooner or later, substantial amounts of orders for cement for such purposes are expected to be received. In view of these circumstances, the domestic price of cement is maintaining a relatively firm tone.

A noteworthy difference between the prewar and postwar periods in regard to the export of cement is the disadvantage in the postwar period of being obliged to sell cement at F.O.B. prices on account of the almost complete dependence on foreign shipping for the transport of cement due to the loss of Japanese shipping during the war and also on account of the lack of information on foreign markets due to the difficulty of despatching Japanese trade representatives to foreign countries. Notwithstanding this disadvantage, Japanese cement companies are able to realize satisfactory profits from exports because there is no need to export at cheap prices, as was done in the prewar period, in view of the comparatively short supply of cement in relation to the domestic demand and also the relatively firm tone of the international price of cement.

Price of Cement

Recent Domestic Price.—Owing to the fact that cement is a heavy commodity and is produced in factories located mostly in southwestern Japan (Kyushu), there is a wide disparity of prices according to the place of delivery. In the Kyushu district, where it is the cheapest, the price of ordinary Portland cement for delivery at the railway station of arrival is about Y4,600 (US$12.78), which is about 19% with Y5,500 (US$15.28) in Hokkaido, where it is the dearest. The average price for the whole country is about Y4.600 (US$12.78), which is about 19% higher than the official wholesale price of Y3,903.70 (US$10.84) set in July 1948 and abolished in February 1949.

Recent Export Price.—The trend of export price in the postwar period has been as follows:

Period	F.O.B. export price
October 1947*—June 1948	US$22.00
July 1948†—October 1948	18.00
November 1948§—September 1949 ..	16.00
October 1949‡ to date	13.00

*—Cement exportation resumed.
†—Private trading resumed on a restricted basis.
§—Floor-price system and price-ratio system enforced.
‡—Sterling depreciated by 30%.

The prevailing export price of US$13 approximately equal to the domestic or thereabout is somewhat higher or price.

Conclusion

If the demand for cement would only increase, the Japanese cement industry should be able to easily attain in the near future its prewar average level of production of about 400,000 tons per month in view of its advantageous geographical position, excellent technique and the rapid restoration of facilities.

A negative condition particularly favorable to the industry at the present time is the disappearance for the time being of certain factors which had impeded the industry's sound development in the prewar period. Principal among such factors was the over-expansion of facilities resulting from the mushroom growth of cement manufacturers in the face of the slack demand for cement due to chronic depression. Moreover, there are now positive favorable conditions, namely, (1) the anticipated large domestic demand for cement in connection with the development of hydroelectric power resources and public enterprises and the war developments in Korea, and (2) the anticipated increase in exports due to the general improvement of trade and the firm tone of the international price of cement. In view of these favorable conditions, much expectation can be placed on the future activity of this industry.

ECONOMIC DEVELOPMENTS IN JAPAN

Industrial Production

The high level of industrial production continued in September, and was expected to be surpassed in October. Increasing export volumes and special procurement for Korea contributed to this continued production rise, particularly in connection with metal products and textiles. The Ministry of International Trade and Industry warned industries against the danger of premature overexpansion based on the specialized demands stemming from military procurement from Korea, and called upon manufacturers to proceed cautiously in the development of particular production lines which might detract from sound over-all expansion.

The output of pig iron and steel ingots during September remained approximately at the August level, with 186,436 metric tons of pig iron and 393,100 metric tons of steel ingots. The output of rolled steel in September was the second highest on record since the end of the war, being surpassed only by the June peak which resulted from the desubsidization of steel, with preliminary reports indicating a production level of 270,038 metric tons. Several plants of the country's leading iron and steel mills established individual production records in September, and the completion of additional coke-producing facilities and the blowing in of another large blast furnace in October were expected to contribute to further output increases during the next few months. Government subsidies for the production of pig iron were reduced substantially in October, which is expected to affect consumer prices especially for the machinery and shipbuilding industries. Government agencies gave increasing attention to the procurement abroad of iron ore and scrap.

Processing figures, both for cotton and wool, continued to increase in September, with textile dyeing and finishing of all fabrics totaling 153,427,000 square yards. The September production of cotton yarn (46,845,225 pounds) represented a 6 percent increase over the August output despite interruptions in the electric-power supply after the September typhoons. In view of an announcement that the export allocations of United States cotton had been reduced from previously estimated levels, increased efforts were made to expedite imports of raw cotton from other areas. Purchases from India, Pakistan, and Egypt may be increased substantially and attempts will also be made, according to Government officials, to increase procurement from Mexico and other cotton producers.

The probability that raw-wool imports would not attain planned levels, which had called for substantial increases over the 1949 figure in order to meet growing domestic and export demands, led the Government to announce that woolen material and wool-staple fiber mixtures would probably rise in price on the domestic market by as much as 20 percent within the near future. It was still hoped, however, that substantial purchases of Australian wool might be finalized which would help meet the requirements of the domestic economy and permit a continued high export level of finished woolen goods.

High output figures were attained in October in electrical equipment, industrial rolling stock, including steam and electric locomotives and steel cars, synthetic resins and plastics, particularly cellulose nitrate and phenol resin, construction materials, and cement. Increasing domestic demand and renewed interest abroad led to the attainment of a new high in cement production in September, when 418,455 metric tons were produced, representing a 10 percent increase over previous levels. Some increases in nonferrous-metal production, noted in September, carried over into October.

Shipbuilding for the export market continued at a high level; the first three of nine tankers ordered by Brazilian interests were launched in October. Delivery was made to Philippine owners of a steel cargo vessel, and two similar vessels for the same owners were scheduled for early completion. Delivery was also made of a 17,900-ton tanker built for a Danish shipping concern, and an 8,500-ton cargo vessel was delivered to its Panamanian owners in October. The keel of a 23,000-dead-weight-ton whaling factory ship, the largest of its type to be built since the war, was laid in October. Three more steel cargo vessels and a steel freighter were launched in October, destined for Japan's oversea-trade operations.

Agriculture and Fishing

The Ministry of Agriculture released an official estimate on the present rice crop, based on preliminary studies of field sampling tests, as about 315,000,000 bushels, or about 1,700,000 bushels over last year's crop. The Ministry announced that it hoped to create an Agricultural-Forestry Finance Bank which would extend long-term loans to farmers at interest rates lower than the rate now charged on loans by the Central Cooperative Bank.

The tuna-fishing expedition, which had operated in equatorial waters for 11 weeks, ceased operations at the end of September and announced that its processed catch amounted to approximately 3,336,000 pounds of tuna, marlin, and shark, of which over half was in yellowfin tuna fillet, much of which will be destined to the export market.

Finance

Plans were made in September and early October to extend the scope of the Counterpart Fund for the financing of private enterprises, particularly of small business concerns. Additional loans from the Counterpart Fund are planned for essential capital improvements, particularly modern equipment, in order to further export production capacity

Another wave of the ever-recurrent rumor among business circles that financial and economic controls would be eased was denied by the Minister of Finance, who declared that there would be no deviation whatsoever in the current disinflation and economic stabilization program. As one of the items leading to the decontrol rumor was the announcement that the Bank of Japan would ease its loan-extension policies, the Ministry of Finance clarified the situation by stating that only the extra controls imposed after the outbreak of hostilities in Korea were involved. Additional curbs on loans had been imposed in view of the speculative activities in business circles in July and August, but believing that this trend has largely disappeared, the Government announced that the Bank of Japan would again, subject to careful individual examination, extend ample loans to permit private industry to meet the new developments of the Korean procurement situation, which was expected to turn from military to civilian demands in the near future.

The note issue of the Bank of Japan passed the 340,000,000,000-yen mark late in October, about 5 percent higher than the levels established during the closing days of August and September. The October figure, about 36,000,000,000-yen above the circulation level a year ago, was ascribed to the high distribution of Government funds in connection with crop-collection programs, as well as an end-of-month demand for funds somewhat higher than normal. Bank of Japan officials continued to stress that the increase in circulation was no indication of inflationary tendencies, as many business circles contended.

The "usuance bill" system, by which foreign-exchange financing is made available to importers indirectly by the Bank of Japan and the Foreign Exchange Control Board through loans to private banks authorized to deal in foreign exchange, was put into effect late in September and appeared to be working satisfactorily. Private importers whose activities had previously been hampered by the requirement that payment be made not later than the arrival of the imported goods, and who were forced to borrow at interest rates in excess of 8 percent, were now assured reasonable foreign-exchange loans at 5 percent annually by means of the Government's import credit extension program.

September and October prices, official and black-market, remained generally at the same levels established by mid-September after the August highs. Consumer goods on the Tokyo black market in September were indexed at 553 (September 1945=100), down from the August figure of 571, and it

was expected that final statistics for October might reveal another price drop. Retail prices in October throughout the country were reportedly as much as 5 percent below September levels for clothing, certain foodstuffs, particularly fish, and other consumer commodities, but were slightly higher for building materials and most producer goods. Prices of some of the latter, particularly soda ash and caustic soda, fuel, and metal products, increased by about 10 percent on the free market, allegedly as a result of shortages created by continued diversion to the export market.

Foreign Trade

The Government announced that exports in September reached a total value of more than $75,000,000, thus establishing a new postwar record. Government agencies had previously announced that the September typhoon damage would probably reduce the export availability of cotton textiles, although these, in fact, constituted 51 percent of the total September volume of exports as compared with an average of 46 percent in previous months. Declaring that the high volume of exports was draining the economy of essential raw-material stocks, which had not yet been replaced under the "automatic approval" or special long-range import programs, some Government agencies continued to predict a lower volume of export sales after September. Foreign demand for textiles, artificial fibers, raw silk, metalware, and machinery continued to mount, however, and private exporters actively pushed sales abroad, with the result that preliminary figures for the month of October indicated another postwar export record estimated at about $85,000,000. Although this figure may be reduced when final reports are consolidated, the October export level nevertheless represented a considerable gain over the $58,000,000 monthly figure averaged January to August 1950.

Contrary to their previous belief that special procurement for Korea had reached its 'top level' in September, business circles found that special orders continued to flow in at an undiminished rate and estimated that the "special demand" contracts for Korea had reached a total of about $132,000,000 by October 22. Continued activity in this field, as well as announcements that Japan might well expect a large share of future procurement for the rehabilitation of Korea, led to unprecedented activity in commercial and industrial circles.

Exports to the sterling area continued to decline, according to Government agencies which announced that the September volume of exports to the sterling countries was but slightly over $16,000,000, representing a decrease of $13,800,000 from the July 1950 figure and down about $3,200,000 from the 1949 monthly average. Trading circles expressed concern regarding this decline, which, if continued, might re-

ECONOMIC REPORT FROM KOREA

Although the extent of destruction and damage to the Korean economy as a result of hostilities has not been finally determined, reports from Seoul indicate that the dislocations of war have been severe and that the magnitude of the relief and rehabilitation program will undoubtedly assume huge proportions. Official Korean preliminary surveys in November placed the extent of war damage in south Korea (south of the 38th parallel) at US$588,000,000, of which $264,000,000 represents damage to the civilian economy (including industries, mines and transportation); $245,000,000 represents destruction and damage to housing; $23,000,000 damage to school buildings; $24,000,000 damage to roads, harbors, and bridges; and $29,000,000 damage to Government property and buildings. Approximately 314,000 homes were completely destroyed, 244,000 homes damaged, 574 schools destroyed, and 1,340 schools damaged.

The extent of assistance to be provided to Korea for the year 1951 and possibly part of 1952 under a United Nations relief and rehabilitation program, when finalized, is estimated at US$250,000,000. Pending the finalization of such a program, however, relief assistance is being supplied the Unified Command for Korea by the United Nations governments, the specialized agencies of the United Nations, and non-governmental organizations through the United Nations Secretary General. Longrange rehabilitation assistance is being provided by the Economic Cooperation Administration, which was relieved of its responsibilities for financing commodities needed for direct civilian-relief assistance. The United States share of civilian-relief assistance is being channeled through the United Nations Command by the Department of Defense.

Despite the transportation difficulties in Korea resulting from war damage and destruction, progress is being made, particularly in Seoul, in the distribution of foodstuffs. Sufficient quantities of rice have been brought into Seoul to effect a substantial decrease in its price in the commercial market from that which prevailed under Communist occupation. The Korean Government placed before the National Assembly in the early part of November a program calling for rice collections of 5,200,000 suk (1 suk=5.1 bushels) before the end of the year. The program envisages collections of 2,000,000 suk as part payment from farmers for land obtained under the land-reform program, 1,400,000 suk as taxes, and the remainder to be purchased with Government funds.

Only 97,000 spindles are now operable in Korean cotton-textile mills. Prior to the invasion, the figure was 310,000 spindles. The others have been completely destroyed. It is proposed to replace immediately 120,000 spindles with looms and 45,000 spindles for yarns, which on a 24-hour basis, would bring total annual production up to 150,000,000 yards, or 5 yards per person for all Korea.

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sult in a total volume of no more than $200,000,000 during the present year, notwithstanding previous announcements that the export level of the sterling area-Japan trade agreement presently under negotiation would exceed last year's volume of $233,770,000, and it was feared that it might become increasingly difficult to purchase necessary sterling raw materials unless trade improved.

The foreign-exchange budget for the October—December quarter was announced at a level of $385,000,000 for imports, against estimated exports valued at $215,000,000. The new import budget allows for some contracts in futures, subject to individual licensing, and the scope of the "automatic approval" licensing system has been extended to 115 commodities instead of the 65 listed previously. In implementing the budget, however, the Ministry of International Trade and Industry declared that it might remove a few of the "automatic approval" items from the original list, at least temporarily, as normal procurement was expected to meet the import requirements of these particular commodities.

ECONOMIC DEVELOPMENTS IN TAIWAN

The economic picture in Taiwan during September was highlighted by the long-awaited Sino-Japanese trade agreement, which, if carried out satisfactorily will largely overcome the difficulties that have hampered the postwar development of Taiwan's trade with Japan.

Continued favorable weather conditions portended another bumper rice crop this year and an exportable surplus estimated at 150,000 tons. Despite an increase in the new Taiwan Yuan note issue of nearly NTY7,000,000 (including both the regular and extra note issues outstanding) and a strong upward trend in commodity prices during the month, the value of Taiwan currency, in terms of United States dollars and gold, remained stable.

Finance and Exchange

As of the end of September, provincial authorities reported that the island's regular currency-note issue amounted to NTY196,462,488, an increase of nearly NTY3,000,000 in a month. The gold reserve backing of this note issue was also increased during the month by 99,709 shih taels (equal to 109,911 ounces avoirdupois, 99.9 fineness) valued at the equivalent of about US$3,843,000. It was also announced that Taiwan's extra note issue of subsidiary notes and coins had been increased by NTY4,000,000 to a total of NTY49,000,000 outstanding and backed by trade acceptances, warehouse receipts, and exportable commodities held for security against loans granted.

Although this increase in the note issue evidenced a depreciation in the purchasing power of the local currency, still its value in terms of gold and United States currency was maintained throughout September. This was attributable in part to: (1) The rising trend in commodity prices which prompted Taiwanese to sell gold in the local market to buy goods and (2) the decreased demand for United States dollar notes as the Bank of Taiwan continued to accept United States currency, in addition to local notes, from the public for remittance abroad. In a statement issued by the Bank of Taiwan a total of US$1,256,496 was remitted abroad in September, whereas only US$292,694 was received by the bank from oversea remittances. However, as a means of inducing oversea Chinese remittances, the Bank was directed to accept such remittances for deposit in terms of United States dollars.

The stability of the local currency in terms of gold and United States dollars was reflected in the maintenance of the open-market rate for the dollar at NTY10.25 to 1 throughout September. Similarly, the official selling price of gold remained unchanged at NTY280 per shih tael of 1.10231 ounces, or NTY 336 per Taiwan tael of 1.323 ounces (equivalent to US$36). However, the compulsory purchase of Patriotic Bonds attached to the latter brought the total above the open-market price of NTY 480 per Taiwan tael.

A slackening of the money market was evidenced by lowered interest rates as general business conditions continued dull. As of October 1, commercial banks were to lower their monthly interest charges from 3.9 to 3.45 percent, thence to 3.3 percent on November 1, and to 3 percent on December 1.

Foreign Trade

The signing of the Sino-Japanese trade agreement on September 6 by representatives of SCAP and the Chinese Nationalist Government was greeted with approval in both official and trade circles, who foresaw an end to the delays that had attended barter trade in the past. Highlights of the agreement include: Exports of US$50,000,000 and an equal amount of imports during the fiscal year 1951; trade to be conducted on an open-account basis, with an overdraft limit of US$4,000,000 granted to either party; and priority for transporting trade cargo granted to Chinese ships, and evaluation of trade stipulated to be on a c.i.f. basis for Taiwan's exports and on a f.o.b. basis for Taiwan's imports.

Although provincial government regulations implementing the agreement had not been issued by the end of the month, the following principles had been decided upon: Aside from exports

of sugar, rice, and salt, and imports of fertilizers, all other trade with Japan will be open to private traders; all foreign-exchange proceeds derived from exports to Japan will be required to be surrendered to the Bank of Taiwan; import quotas will be imposed (later reports, indicate, however, that no definite decision has as yet been reached on this matter); and Japanese traders will be admitted to Taiwan, although their activities and length of stay will be restricted.

A substantial increase was recorded in Taiwan's exports to Japan in September. Of the total foreign exchange earned through exports during the month, equivalent to US$10,028,684, 45 percent was derived from shipments to Japan valued at $4,515,365, as compared with August exports to Japan of only $649,159. Shipments to United States dollar areas in September amounted to $4,030,859, whereas exports to sterling areas, including Hong Kong, were valued at US$1,035,422. The 59 percent over-all increase recorded for September exports, as compared with August, was due chiefly to increased sugar shipments totaling US$7,878,050.

An exceptional shipment of silver coins by the Bank of Taiwan to the New York branch of the Bank of China, valued at US$549,503, accounted for 53 percent of the total value of declared exports to the United States during the month.

The equivalent of US$6,255,870 was expended for Taiwan's imports during September, a slight increase over August. Import expenditures were as follows: From United States dollar areas, $1,197,960; from Japan, $2,669,889; and from sterling areas, including Hongkong US$2,388,021.

Industry and Mining

As the Taiwan industrial scene remained slack, local iron works began to feel the shortage of raw materials to the extent that many suspended operations in September. Therefore, to encourage the import of scrap and pig iron, the provincial government was asked by manufacturers to exempt these items from payment of duties and harbor dues; it was also suggested that all unwanted scrap iron of Government enterprises be rationed at cheap prices.

In addition, some private factories suffered set-backs resulting from the enforcement of small-scale power rationing. In view of rising power requirements, it was feared that local industries might be seriously affected by power shortages in the coming winter months.

In early September a contract was signed between ECA officials and provincial authorities providing for a supply of 30,000 metric tons of soybeans by ECA for processing by Taiwan oil plants. Of this amount, 8,000 tons had arrived by the late August, and delivery of the remainder was scheduled for completion by December.

Agriculture

The excellent prospects forecast for the island's second rice crop remained unchanged, chiefly because of continued favorable weather. In addition, more than 90 percent of the 145,000 metric tons of fertilizers scheduled for this crop had been distributed by the end of September.

By mid-September over 127,000 acres of sugarcane had been planted, the island's principal exportable cash crop. This planting represented an increase of 42 percent over the acreage planted a year ago. Exports of tea, another important exchange earner, continued to be hampered by high production costs which drove the local price about 50 percent above world market prices.

Air Transport

To encourage private air transportation, the Ministry of Communications approved the establishment of the Fu Hsing Aviation Co., a private concern, to operate a maximum of five planes between Taiwan and the Pescadores, Quemoy, and Macao for a 1-year trial period.

Foreign Exchange Controls

The foreign exchange certificate system — instituted on the Chinese mainland in late 1948 and early 1949— has been all but done away with for practical purposes. Today the Bank of Taiwan instead of issuing certificates to exporters for their exchange proceeds now buys all foreign exchange outright at the Bank's buying rates. On the other hand, importers may now apply for letters of credit without having to supply an exchange certificate (except for certain imports such as textiles, flour, bean cakes, and groundnut oil), but are required to pay in local currency at the Bank's selling rate. This more direct method, as opposed to the awkward use of certificates, has been attained by reason of the comparative stability of the new Taiwan Yuan and the Bank's policy of fixing its buying and selling rates to conform with pre-

MALAYAN TRADE REPORTS

Rubber

During October, exports abroad from Malaya, (the Federation of Malaya and Singapore) of Rubber, including latex, concentrated latex and revertex, totalled 119,162 long tons (ribbed smoked sheet 79,494 tons, pale crepe 1008 t., estate brown crepe 5279 t., remilled 25,257 t., sole crepe 1098 t., latex, concentrated latex and revertex 7011 t.).

The main exports went to the USA in amount of 39,037 tons, followed by the United Kingdom with 17,052 t., China with 12,061 t., Hongkong with 11,791 t., Germany 5860 t., France 5048 t., Japan 5034 t.

For the period January/October, total exports amounted to 891,728 tons. (ribbed smoked sheet 590,173 t., pale crepe 13,199 t., estate brown crepe 53,489 t., remilled rubber 153,235 t., sole crepe 13,089 t., latex, concentrated latex and revertex 57,895 t.).

Main exports went to the U.S.A. 39,037 tons (Jan./Oct. 301,268 t.), the United Kingdom 17,052 t. (161,531 t.), China 12,061 t. (22,086 t.), Hongkong 11,791 t. (31,363 t.), Germany 5860 t. (39,225 t.), France 5048 t. (46,998 t.), Japan 5034 t. (32,703 t.), Canada 3772 t. (29,471 t.), Australia 3560 t. (30,155 t.), s. Africa 2821 t. (18,209 t.), Italy 2588 t. (34,665 t.), U.S.S.R. 1272 t. (64,694 t.)

Over the ten months, main exports went to the U.S.A. 301,268 tons (October 39,037 t.), the United Kingdom 161,531 t. (17,052 t.), the U.S.S.R. 64,694 t. (1272 t.), France 46,998 t. (5048 t.), Germany 39,225 t. (5860 t.), Italy 34,665 t. (2588 t.), Japan 32,703 t. (5034 t.), Hongkong 31,363 t. (11,791 t.), Australia 30,155 t. (3360 t.), Canada 29,471 t. (3772 t.), China 22,086 t. (12,061 t.).

Exports of prepared latex from Malaya during October totalled 7,001.61 dry tons, the U.S.A. taking 3,305,52 tons and the U.K. 1,681.96 t.

Total dealers' and port stocks of rubber at the principal ports of Malaya at the end of September amounted to 87,920 tons, i.e., dealers' stocks 56,975 t. (Singapore 49,314 t., Prov. Wellesley 4287 t., Penang 3374 t.), port stocks 30,945 t. (Singapore 20,430 t., Penang 8639 t., Port Swettenham 1643 t., Telok Anson 233 t.).

Imports of rubber during October came to 48,285 long tons (Singapore imports 41,382 t., Federation 6903 t.).

For the ten months January/October, imports totalled 354,387 tons (Singapore 296,586 t., Federation 57,801 t.).

Imports during October came mainly from Sumatra 27,063 t. (Jan./Oct. 200,932 t.), Borneo 6694 t. (44,468 t.), Sarawak 4100 t. (39,984 t.), Java 4822 t. (19,665 t.), and North Borneo 1485 t. (13,016 t.).

The acreage of high-yielding and ordinary rubber tapped during September in the Federation totalled 1,296,894 for ordinary and 350,460 for high-yielding, as compared with 1,302,606 and 352,841 acres respectively in August.

Tin and Tin Ore

Tin and tin ore exported from Malaya during the month of October, according to figures released by the Registrar of Malayan Statistics, totalled 5979 tons, a considerable drop from the amount of 8597 t. exported in September. Cumulative figures for the January/October period came to 68,796 t. Of these exports, 2537 t. went to the U.S.A. (Jan./Oct. 40,338 t.), 2831 t. to the Continent of Europe (15,404 t.), 325 t. to British Commonwealth countries (6458 t.) and 60 t. to the United Kingdom (5039 t.).

Imports of tin ore during October amounted to 1116 tons of an estimated tin metal content of 822 t., as compared with 1020 t. in September of 751 t.; imports of tin metal (primary) came to t. Cumulative figures from January to October were 11,235 t. of tin ore of an est. tin metal content of 8208 t., and 27 t. of tin metal (primary). The tin ore was received from Thailand 933 t. of an est. tin metal content of 690 t. (Jan./Oct. 9128 t. of 6722 t.) and Burma 183 t. of 132 t. (1560 t. of 1123 t.)

Palm Oil

Production of Palm Oil in October amounted to 4859 tons as compared with 4084.7 t. in September, according to details supplied by the Registrar of Statistics for the Federation; total production for the Jan./Oct. period came to 43,931.3 t. Production of Kernels came to 1233.8 t. compared with 1095.4 t. in September (Jan./Oct. 11,046 t.).

Stocks of palm oil at the end of the month totalled 38.8.6 t. and of kernels 1114.5 t.

Coconuts, Copra & Coconut Oil

Exports of fresh coconuts from Singapore in September were valued at $3732, going to Australia $1908 and the United Kingdom $1824.

Copra exported from the Federation and Singapore in September totalled 14,512.20 tons to the value of $10,469,242. Exports went mainly to Germany 5336 tons valued at $3,819,904, the Netherlands 2765 t. at $2,130,801, Denmark 2010 t. at $1,362,640, Sweden 1565 t. at $1,064,207, United Kingdom 1240 t. at $799,471, France 900 t. at $739,950, Taiwan 295¼ t. at $245,000.

Imports of copra into during September amounted to 11,328.94 t. to the value of $7,058,072, the bulk of it coming from Sumatra 7128.46 t. at $4,147,265 and North Borneo 1648.55 t. at $1,196,097.

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vailing open market quotations. (The old official exchange rate of NTY5.00 equal to US$ is used for only limited special purposes.)

In order to maintain demand and supply of available exchange, all applications for foreign exchange, with certain specified exceptions, must be approved by the Productive Enterprises Finance Committee or the Finance Department of the Provincial Government. However, the importation of goods with self-provided foreign exchange is still permitted by the authorities.

Taiwan Ironworks

Shortages of raw materials, particularly of pig iron and ferrous scrap, are harassing Taiwan ironworks, and many are reported to have suspended operation for this reason. In an effort to ameliorate this condition, the Taiwan Machinery Manufacturers' Guild has appealed to the provincial government to exempt both pig iron and scrap from import duties and harbour dues in order to encourage importation and reduce costs to local ironworks. In addition, the Guild in urging the rationing at low prices of all unwanted scrap in the possession of Government enterprises, of which one, the Taiwan Sugar Corporation, is described by the Guild as holding more than 30,000 metric tons.

Camphor & Essential Oils

Improvement in world demand for natural camphor has caused an increase of more than 10 percent in list prices quoted by the Taiwan Provincial Camphor Bureau. New price quotations for camphor products, with previous prices shown in parentheses, are as follows: Improved "B" powder, US$0.814 ($0.66) per kilogram; refined powder, $0.40 ($0.33) per pound; camphor slabs, $0.45 ($0.38) per pound; and camphor tablets, $0.52 ($0.47) per pound (all prices f.o.b. Keelung in United States currency).

September 1950 exports of camphor products to the United States were as follows: Camphor powder, 166,000 pounds, valued at $55,035; camphor tablets, 25,000 pounds, $15,145; and camphor oil, 12,480 kilograms, $8,037.

Exports of essential oils from Taiwan to the United States during September 1950 consisted of 167,940 pounds of citronella oil, valued at US$216,520; camphor oil, 12,480 kilograms, $8,037; and sassafras oil, 4,200 kilograms, $4,116.

Exports of coconut oil in September came to 4968.37 t. valued at $5,795,226, going chiefly to Italy 1307.26 t. at $1,504,435, India 710.33 t. at $837,086, Germany 606.94 at $709,058, the Netherlands 585 t. at $676,100, Burma 357 t. at $417,335, Sweden 322½ t. at $375,064, the U.S.A. 308.09 t. at $369,-712 and Hongkong 249.04 t. at $300,600.

Soap

Imports of soap into Malaya during September were as follows: household and washing 4886 cwts. (Jan./Sept. 57,381 cwts.), toilet 288,621 lbs. (2,066,-435 lbs.), abrasives 41,807 lbs. (411,705 lbs.), other kinds 17,422 lbs. (329,854 lbs.), the bulk coming from the United Kingdom.

Exports abroad amounted to: household and washing 10,943 cwts. (Jan./Sept. 95,014 cwts.), toilet 29,870 lbs. (220,892 lbs.), abrasives 5701 lbs. (20,927 lbs.), other kinds 2454 lbs. (7070 lbs.). The bulk of the soap went to the following countries: Hongkong, household & washing 4525 cwts. (Jan./Sept. 58,639), toilet 900 lbs. (16,662 lbs.); Sumatra, household & washing 1083 cwts. (1701 cwts.) toilet 8568 lbs. (68,605 lbs.), abrasives 170 lbs. (270 lbs.); Thailand, household & washing 69 cwts. (333 cwts.), toilet 11,379 lbs. (62,544 lbs.), other kinds 1936 lbs. (4311 lbs.).

The total production of soap in Malaya during September came to 32,323 cwts. (Jan./Sept. 247,490 cwts.), 25,378 cwts. being manufactured in Singapore (182,423 cwts.) and 6945 cwts. in the Federation (65,067 cwts.). The quantity sold was 22,596 cwts. (173,789 cwts.). Stocks at the end of the month totalled 16,223 cwts.

Cargo Discharged & Loaded

Cargo discharged and loaded at the Singapore "roads" and Harbour Board wharves during the month of October showed a total of 640,183 tons for ships over 75 tons net register; cumulative figures for the Jan./Oct. period were 5,068,090 tons. The total tonnage of cargo carried by vessels of 75 tons and under, and native craft came to 60,940 tons for the month. A total of 259,242 tons was discharged and loaded at the "roads" (Jan./Oct. 1,870,100 t.), 181,-376 t. being discharged (1,362,452 t. Jan./Oct.) and 77,866 t. loaded (507,-648 t.). At the Harbour Board wharves the figures were: discharged 212,185 t. (Jan./Oct. 1,794,915 t.), loaded 168,-756 t. (1,403,075 t.), or a total of 380,-941 t. (3,197,990 t.).

Trade Unions

The Annual Report for 1949 of the Registry of Trade Unions shows that at the beginning of the year there were 162 registered unions in the Federation, with a membership of 70,037, and at the end of the year 169 unions with a membership of 42,288. At the end of the year 17 applications for registration were still outstanding. About 30,000 trade unionists in the Federation ceased to be members in 1949.

ECONOMIC DEVELOPMENTS IN INDOCHINA

The outstanding developments of economic significance to the Associated States of Indochina during the third quarter of 1950 were the economic agreements achieved at the quadripartite conference now in session at Pau, France, and the first arrivals of material aid from the United States under the STEM (Special Technical and Economic Mission) program. Other pertinent conditions affecting the economy were the paralyzing insecurity of the countryside, which has now spread to Laos and Cambodia, and the continuing blockade by the French of the rich rice Transbassac region of Cochin China. It is estimated that more than 1,000,000 tons of rice are awaiting shipment in this area. The purpose of the blockade is to deny funds to the Communist-led Viet Minh forces in the region.

At Pau, agreement was reached on the internationalization of the Mekong River and the joint use of the port of Saigon by the Associated States, and Viet Nam was recognized as having a predominant interest. This agreement assures Cambodia of continued use of its only present satisfactory outlet to the sea and of port facilities, in which it has an estimated 20 percent of the volume of commerce. Land-locked Laos now has four surface alternatives for its limited commerce. However, only the road and rail routes to Bangkok do not require convoy protection. At the close of the third quarter the Pau conference was turning its attention to the questions of future control of customs and external commerce.

ECA aid, directed particularly toward public works, agriculture, and health programs, is now arriving in significant quantities. Allocations totaling more than $4,000,000 had been approved by mid-September.

Price of Rice

Rice prices were unsteady, particularly in Saigon. The price of No. 1 rice increased from 192 piasters per 100 kilograms in June to 260 piasters in September. The price was considerably higher in Tonkin, owing to the continual deficit there and the high transportation cost of rice coming from Saigon and Phnom Penh. Native Tonkinese rice reached a high of 750 piasters per 100 kilograms in September, and No. 1 rice imported from Saigon, was quoted at 345 piasters c.i.f. hanoi at the end of that month.

In Saigon-Cholon, where an estimated 700 metric tons of rice are consumed daily, the tight supply occasioned by the military blockade of the Transbassac rice region, heavy shipments to the north, and preharvest speculative hoarding caused a sharper than usual rise in prices between June and September. Prices gradually stabilized following a French order, effective on August 15, prohibiting the exportation of rice to all countries, including the French Union. It was also decided to alleviate conditions by removing some 50,000 metric tons of rice from the blockaded zone by the end of the calender year. Of this, 60 percent was to go to Tonkin and 40 percent to Annam. Saigon's needs would be met with the aid of imports from Cambodia.

Plentiful rains in August and September improved December crop prospects in Cochin China. However, it is probable that because of the continuing blockade and the piling up of stocks, the area under cultivation was smaller.

Agricultural Products

Except in Cambodia production of agricultural products other than rice and rubber is of minor importance. Though aided by imports from Cambodia, Viet nam was able to export during the first half of 1950 only 4,893 metric tons of dried vegetabless (6,533 for the first half of 1949), 245 tons of pepper (346), 1,733 tons of corn (10,534), 385 tons of tea (208), and 532 tons of kapok (267). Corn is strictly a cash crop. The continued decline in exports of this erstwhile second-ranking commodity was due to the low world price and the high cost of production and transport from Cambodia.

Coal Production

Coal remained the only significant mineral product. A total of 316,900 metric tons was mined during the first 9 months of 1950, as compared with 259,200 metric tons in the corresponding period of 1949. According to the Director of Mines at Haiphong, production could be increased to 800,000 tons a year if an adequate export market could be found. Exports, totaling 32,-375 metric tons in the first half of 1950 (12,870 in the first half of 1949). now go chiefly to Japan, France, and Hongkong.

Industry

Cement production in the first 9 months of 1950 amounted to 84,500 metric tons, a decline of more than 10,000 tons from the like period of the preceding year. According to the Director of the Haiphong Cement Works, the sole producer, the basic reasons for this decline are the high cost of production and the official rate of the piaster (20.5 piasters=US$1), which makes it difficult even to secure shipping despite an export incentive of 160 piasters a ton, bringing the price down to 430. Nevertheless, diversion of Japanese exports to Korea made

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Federal Citizenship

A Government statement issued in Kuala Lumpur shows that 124,903 Federal citizenship certificates had been issued up to the end of September. Of these 46,141 were issued in Perak, 15,034 in Negri Sembilan, 14,829 in Johore, 14,570 in Penang.

Of the 8898 certificates issued in September, 8174 were to Chinese.

possible a recent shipment of 3,000 tons to Singapore and would permit a monthly shipment of 5,000 tons to Pakistan if cargo space were available. The plant is capable of turning out 20,000 metric tons a month.

Rubber Industry

Rubber production in August amounted to 4,618 long tons, compared with 4,069 tons (revised) in July and 4,209 tons in August a year ago. In the first 8 months of 1950, output totaled 26,168 tons, up 12 percent from the 23,283 tons reported for the corresponding period of 1949.

Exports of rubber from Indochina in August totaled 4,652 tons and in September 3,961 tons, and included shipments of 1,707 tons and 1,356 tons, respectively, to the United States. In the first 9 months of 1950 exports totaled 36,798 tons, and included shipments of 17,712 tons to the United States and 15,916 tons to France. Some 2,700 tons went to Singapore, and small quantities to other countries. Total shipments in the first 9 months of 1949 amounted to 31,311 tons.

Stocks of rubber on plantations declined from 4,152 tons on July 31 to 3,388 tons on August 31. Local stocks of rubber in the Saigon-Cholon area, however, increased from 2,617 tons to 2,853 tons.

Latest figures of the Syndicate of Rubber Planters of Saigon indicate that out of a total of 234,402 acres of tappable rubber, 126,960 acres were tapped in August, about 1,782 acres more than in the preceding month.

Foreign Trade

In the first 6 months of 1950, imports reached a total value of 1,726,500,000 piasters (US$84,253,200, converted at the rate of 20.5 piasters = US$1), whereas exports came to only 614,900,000 piasters (US$30,007,120). The import balance was thus 100,000,000 piasters greater than that for the first half of 1949, when imports totaled 1,626,600,000 piasters and exports 613,300,000 piasters. Furthermore imports jumped to 408,800,000 piasters in July, well above the average monthly figure. Although July export figures were not yet compiled, no corresponding rise was indicated. This trend might be expected to continue, as the rise in rubber prices will probably be more than offset by the interdiction of all rice exports from August 1950.

The United States was again the second largest supplier, after France and the French Union, accounting for 145,579,000 piasters worth of imported merchandise in the first 7 months of 1950, or 6.3 percent of the total (10 percent in the like period in 1949), as compared with 78 percent for France and the French Union (72 percent in 1949). Other leading supplies were China and Indonesia, each with roughly 3 percent of the total by value. Chief imports, as in the preceding year, were cotton cloth and machinery and equipment.

Exports to the United States jumped from less than 1 percent of the total by value in the first 6 months of 1949 to 20 percent in the first 6 months of 1950. This increase was due to the renewed interest of the United States in Indochinese rubber following the general price rise which enabled this rubber to compete in world markets. France and the French Union received 49 percent by value of Indochina's exports during the first half of 1949—a diminution which offset exactly the gain made by exports to the United States. Other principal receivers of Indochinese goods were Hongkong, with 12 percent, and Thailand, with 3.5 percent. Rubber replaced rice as the principal export.

The barter system, known as compensated exchange, which permits Indochinese merchants to export designated surplus commodities to Hongkong, Singapore, or Thailand and to receive in return designated commodities from those sources and thereby to overcome external trade difficulties arising out of an overvalued piaster, continued to operate successfully within its limited scope. Principal exports under the system during the first 7 months of 1950 were green beans, 5,000 metric tons; soybeans, 1,500 tons; and sesame, 820 tons. Principal barter imports during the same period were onions, 1,060 tons; medicinal spices, 880 tons; and garlic, 585 tons. Under this systems 1,000 sewing machines were also imported, as were Chinese paper, cotton, and cigarettes.

Cost of Living

The cost-of-living indexes showed increases over the preceding year throughout the country, except for the middle and working class of Indochinese at Hanoi. Decreases in food costs for Europeans in Saigan, Hanoi, and Phnom Penh were more than offset by increases in rentals and in the cost of servants and miscellaneous items.

Following a decline in February and March 1950, the Saigon wholesale-price index for August 1950 was only slightly higher than that of August 1949 — 2190 against 2180, based on 1939=100. Here a decline in the cost of imported products was balanced by an increase in the cost of local products, an increase due almost exclusively to the rise in rubber prices.

Credit and Finance

As of September 30, official Indochina budget estimates, of both receipts and expenditures, were balanced at 1,101,390,000 piasters for the first three quarters of 1950. The extraordinary budget, financed from contributions from France, was provisionally restricted to 205,882,000 piasters for the second half of 1950, of which 117,647,000 piasters are earmarked for equipment and the balance for reconstruction. Total estimated expenditures under the two budgets were approximately 2,010,000,000 piasters for the calendar year 1950, of which approximately 80 percent would come from revenues collected in Indochina and the balance from grants-in-aid from France.

FINANCIAL REPORTS

FUTURE OF GOLD

The price of gold will have to be raised at the end of another war (which is now starting) before a return to a new normalcy can be achieved. Deficit spending policies and direct inflationary developments on a world-wide scale will make a revaluation of gold an even greater necessity than it is now, writes the New York exchange expert, Guenter Reimann.

It is estimated that, outside of Russia, production of gold has declined about 32% during the last decade, while production of all other commodities has greatly increased. Production of gold will again shrink during a prolongated period of war emergency. Gold is now flowing out of the U.S. at an unprecedented rate as a sign that hoarding and speculation in gold is again increasing. The U. S. as well as Russia will have to finance imports of vital materials to a great extent with gold. Many central banks now find it more attractive to hold their reserve funds in the form of gold rather than of dollar deposits. We do not expect a dramatic change of the gold price in the immediate future. But we also believe that we are at the beginning of a new upward movement of gold price. The latest boom period of free market gold occurred after the last war when the nature of the new post-war world was still highly uncertain. We would not be surprised if this pattern were again followed. In the meantime, gold will increasingly be used in international economic warfare as well as a means of private hoarding. Many governments are now participating in the private international gold market. Several governments intend to extend their participation in the international gold market. As a result, the change in gold market rates will be less dramatic than they would be otherwise.

The effect of another world war on the future of gold was foretold by the then U.S. Secretary of the Treasury on the eve of the last war in a letter to Senator Vandenberg: "This war demonstrates that gold constitutes the best form in which foreign exchange resources can be held. Even under the most difficult conditions of war, belligerent governments which possess gold can buy with it anything that is for sale. The new situation in world trade brought about by the war will, of course, introduce some changes in the distribution of gold among the nations of the world. Belligerent countries will probably lose gold, but numerous neutral countries, which now have little gold, may be put in a position to increase their holdings as a result of improvements in their trade balances. As a consequence, the war may well have the effect of causing a wider distribution of gold among the countries of the world. Gold will emerge from this disturbed period with added prestige as the international medium of exchange."

Rumors that Russian gold is sold in large quantities on the world's free gold markets are again circulated. Such rumors were spread in the past by circles which lacked genuine sources of information. The same applied to the new rumors. Moscow may make some token sales of gold and may also exploit special opportunities in gold coins. But large sales are not taking place. It would be unwise for Russia's foreign financial policymakers to convert gold into foreign currency values while current imports can be financed without great difficulties.

It seems that newly minted "old" gold coins are entering international markets for instance, Switzerland. One of the sources of supply seems to be a behind-the-Iron Curtain country where special facilities for minting of gold exist. This is a highly profitable transaction. Gold in coins sells at a premium of US $3 to $4 compared with the free market price of gold bars. Trading in transit gold in Switzerland increased almost 100% during the last week. Strong price fluctuations, especially for gold coins, are due in part to illegal imports. Swiss seizure of a large amount of illegally imported gold coins temporarily affected the local price.

US FINANCIAL AND OTHER ASSISTANCE TO THE PHILIPPINES

President Truman transmitted to President Quirino the report on the economic problems of the Philippines prepared by the Survey Mission headed by D. W. Bell, former Under-Secretary of the Treasury. At the request of the Philippine Government, this Mission was sent to the Philippines early in July and submitted its report to President Truman early in October. The Mission noted the unsatisfactory economic situation in the Philippines and the deterioration that has taken place in the past two years. It urged that positive measures be taken to deal promptly with the critical economic problems.

On public finance, the Report recommends that tax revenues be increased by about 70 percent, largely through taxes on high incomes and large property holdings. The increase in tax revenues is necessary to avoid further inflationary borrowing from the Central Bank or the Philippine National Bank.

On agriculture, the Report recommended that rural banks be established to provide production credit for small farmers. To facilitate wider ownership of land, the Mission recommended the purchase of large estates for resale to small farmers and the opening of new lands for settlement. Special consideration is recommended for measures to increase the yield of basic crops.

The Report stressed the importance of diversifying the Philippine economy by encouraging new industries and by providing adequate power and transportation facilities. It recommended the establishment of a Philippine Development Corporation that would help finance productive enterprises without the use of inflationary credit.

The Report recommended a special emergency levy of 25 percent, for a period not to exceed two years, on all imports except certain basic foods and fertilizer. While recognizing the present need for exchange and import controls, their administration should be simplified and the full remittance of current earnings permitted.

Other recommendations include the establishment of a minimum wage to provide subsistence standards of living and improved health, education and housing facilities. It is also recommended that the civil service should be placed on a merit basis and civil service salaries raised.

The Report recommended U.S. financial assistance of $250 million through loans and grants, to help in carrying out a five-year program of economic development. A U.S. technical mission would assist the Philippine Government in its agricultural and industrial development, land reform, fiscal administration, and the health, education, and labor programs.

The Report pointed out that "no one must expect that even so comprehensive a program as this will quickly or automatically remove all the ills of the Philippine economy. What it can do is to provide an environment in which the people of the Philippines can work out a reasonable solution of their problems. What they ultimately achieve will be determined primarily by their own efforts and by the devotion of the Philippine Government to the interests of all the people."

US-PHILIPPINE ECONOMIC COOPERATION

The National Foreign Trade Council of the United States, a policy-advising unofficial body in New York, has made a study of conditions in the Far East and in the Philippines in particular for the purpose of determining the future course of action which the US should take in this part of the world. The Philippines being an area of utmost strategic importance in East Asia and in the Pacific will have to be supported and the Council therefore advocates the following basic premises for United States action:

1. Prompt, bold and flexible action by both the Philippine and the United States Governments. Time does not permit delay or uncertainties, either as to the action to be taken by the United States to fulfill its commitments, or as to the carrying out of necessary measures by the Philippine and U.S. Governments to assure effective use of assistance rendered.

2. The basic purpose of the action by the two governments, and its result, must be to protect and foster the sovereign national interests respectively of the Philippines and the United States.

3. Primary concern should be directed at U.S. assistance to the Philippine Government for its military defense and for assisting it to carry out the measures of internal security which are necessary to safeguard life and property. Public law and order within the Philippines are essential for military defense, as well as for economic recovery. Lacking such law and order, mere financial aid or technical economic assistance cannot be effective.

4. A U.S. aid program for the Philippines should be conceived as a whole, and coordinated on a day to day basis in its military, political and economic aspects. Appropriate personnel, organization, and assignment of responsibilities within the United States and the Philippine Governments are essential to provide such coordination.

5. Objectives of the economic phase of the program should be set in realistic terms, with highest priority to measures which are essential for fiscal and currency stability. Emphasis also should be placed on an expansion of productive facilities essential for defense and improved economic livelihood. In this connection means should be found for increasing production in the Philippines of essential foodstuffs and of materials required in the common defense effort.

6. Many Filipinos, as well as responsible foreign business interests, have stressed the great handicap to economic recovery in the Philippines which has resulted from deficiencies and abuses in the conception and administration of economic controls, and from the proliferation of uneconomic Government corporations, both at the expense of the Philippine Government's capacity with its available personnel and financial resources to perform its basic functions. The importance of a simplification and improved administration of necessary controls, and the clarification and preservation of the role of private enterprise is therefore stressed. The latter not only accords with general U.S. foreign economic policy, but offers for the Philippines the greatest promise of successfully promoting the general level of economic security and progress.

7. There is need for integration of the United States program in relation to the Philippines with its policies and courses of action elsewhere in the Far East and throughout the world. Aid is recommended to the Philippines as part of a wider program in which military and necessary economic assistance is selectively made available to those countries actively strengthening themselves to resist Communist aggression, and who are allied to the United States in terms of common objectives and security interests.

INTERNATIONAL BANK LOAN TO THAILAND

The International Bank for Reconstruction and Development announced on October 30 that three loans totalling $25.4 million had been granted to the Kingdom of Thailand for the rehabilitation of the Royal State Railways, the development of the port of Bangkok, and for irrigation, drainage and water communications in the Central Plain. These are the first loans to be made by the Bank to a country in southeast Asia, and bring the total amount of loans granted by the Bank to more than $1 billion.

The loan for the rehabilitation of the railways, which is the most important measure still to be completed in the postwar reconstruction of Thailand, amounts to $3 million. It will be used to finance the procurement of spare parts for rolling stock, the procurement and installation of signalling equipment, and the redesigning and re-equipping of the railway workshops at Makkasan on the outskirts of Bangkok.

The loan for the development of the port of Bangkok amounts to $4.4 million. The channel through the bar at the mouth of the Chao Phya River will be deepened and widened to permit ships of 10,000 DWT to enter the port. Additional equipment will be installed at the terminal at Klong Toi near Bangkok to handle the expected increase in freight. The proceeds of the Bank's loan will be used to meet the costs of the dredging to be done by a contractor and to purchase port equipment.

The third loan, amounting to $18 million, is for financing the foreign exchange costs of a project for irrigation of rice lands in the Central plain. The project consists of the construction of a barrage across the Chao Phya River near Chainat, about 100 miles above Bangkok, and of canals and water distribution systems, which are designed to provide an assured water supply to an area of about 2,260,000 acres in the Central Plain. It is estimated that after the completion of the project and after allowing for increased internal consumption, there should be an increase of approximately 470,000 metric tons annually in the quantity of rice available for export. In addition, there should be about 75,000 tons of soya beans available for export annually. The barrage near Chainat will be constructed to allow for the later installation of an hydraulic power plant to supplement the thermal capacity in Bangkok.

The railway and port loans are for a term of 15 years each and carry an interest rate of 2¾ percent per annum, plus commission at the rate of 1 per cent which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Amortization payments, calculated to retire the loans by maturity, will start on April 15, 1954. The irrigation loan is for a term of 20 years and carries an interest rate of 3 percent per annum, plus the 1 percent commission for allocation to the special reserve fund. Amortization payments will start on April 15, 1956.

US EMERGENCY & EXCHANGE CONTROLS

From New York, Mr. Guenter Reimann writes on the possible effects of the US National Emergency on foreign exchange dealings:—

The official announcement of a National Emergency in the U.S.A. will not result in any kind of foreign exchange controls or official interference with foreign exchange transactions—for the time being. The most important immediate effect will be felt by those traders or firms in the U.S. and abroad known to Washington foreign trade control agencies for dealings with Iron Curtain countries, including Communist China. Firms known for having done business without the consent of the authorities or in violation of American regulations will not be officially denied the right to continue business, but their transactions, especially in cases where licenses or official approvals are required, will be carefully scrutinized. The same will apply to those foreign firms which are listed for similar reasons by American agencies.

We now enter a stage when international financial transactions including foreign exchange dealings will continue almost on a "business as usual" basis, but at the same time economic warfare is starting. In foreign exchange and similar foreign financial transactions where the full background of the individual transactions is often unknown to the banker or dealer, special risks will therefore exist and special care is necessary in order to remain in good standing.

HONGKONG FREE GOLD AND EXCHANGE MARKET

Report for the week December 26—30:—

GOLD:— Highest & lowest rates per .99 fine tael $311½—303¾, equiv. to .99 fine tael and oz rates of $326.33—318.21 and $271.19—264.44, and crosses of US$44¾—44¼. Macao and Canton .99 fine tael rates $321¾—314½ and $322—313.

Highest & lowest gold (.945 fine tael) and TT New York (US$100) rates:—

December	Gold high	Gold low	US$ high	US$ low
26	$ 311½	310	606	603
27	311	304¾	605½	597
28	307½	305	605	597½
29	306¾	303¾	600	595
30 . ..	310¼	306¼	602	601

Interest for the week in favor of sellers $1.30 (=22% p.a.). Forward contracts 158,000 taels (daily trading average 39,500). Position left open per average day 101,500. Cash bars sold 29,560, of which bought by interest hedgers 20,060, exporters 8200, goldsmiths 1300. Exports: to Singapore 4000 taels, Bangkok 4200. Imports: from Macao 17,500 taels, Taiwan 300, Indonesia 1000.

Lower TT New York brought gold prices down but local cross still considerably above overseas quotations. Local holders are disregarding the cross, only calculating on basis of HK$ price per tael, and finding same not unreasonable and war situation rather menacing prefer to keep funds in gold rather than sterling and US$. Idle funds in Hongkong are very great as result of inflow of Chinese refugee capital; in the past such capital has only been partly put to work while there is still some influx now noticeable when war clouds gather and Chinese in coastal cities fear major conflagration. That Hongkong should, even at this juncture, be regarded as comparatively safe, at any rate safer than Chinese cities, deserves to be noted by the jittery populace here.

Future of local gold price should be less out of balance with foreign rates (crosses) as is presently the case. A limited quantity of gold is still digestible here and in Macao and some lots may be shipped to India and Far Eastern hoarders, via Hongkong and Macao, provided that the cif Macao price is not too extortionate; the Macao price is shaped by the 'fee' charged by the officially connected syndicate who monopolise the issue of gold import licences. The exaction of this 'fee' is shrewdly calculated from day to day in accordance with local demand/supply position and overseas offers and prices.

US$:— Highest & lowest per US$100, in notes $604½—596½, DD 599—584, TT 606—595, crosses US$2.64—2.689. Sales: US$760,000 (in TT 190,000, DD 240,000, notes 330,000).

Rates are weak and demand is not expected to move up except if local cross further advances and, consequently, arbitrage purchases of funds in New York, against sterling, are effected. The US-China trade war is getting hotter and complete embargo and counterembargo is now disrupting business here; but this was only to be expected and further deterioration of Red China-noncommunist countries trade relations will complicate not only Hongkong-China but also Anglo-Chinese overall relations.

Oddly enough, demand for drafts has come down to a small amount only and some sales were routed via exchange banks rather than free market. At any rate, the difference between official and free rates is narrowing down, making recipients of US$ in form of drafts very unhappy. Merchants and local manufacturers, when allowed to buy in the US goods for local industrial or consumer requirements, are making good profits—selling at old prices (when TT New York was around HK$640) and laying in stocks at present low prices. Profiteering is rampant; wholesalers and retailers are confident that 1951 will bring fortunes—though in quantity their business will suffer, the pront margin will inordinately increase, in fact it has already so increased. 'Black' commodity markets in US goods, especially those export prohibited to China, are doing a roaring business. This is a hush-hush affair but slowly the community, outraged by profits made by these wartime racketeers, is working up anger and may, in due course, inconvenience the Government —largely by writing letters to the daily papers.

SILVER:—Rates per .99 fine tael $5.36, per dollar coin $3.37/3.42, per 20 cts. coins $2.62. Business is sluggish —a euphemistic expression.

Trade in silver in November:—No coins were officially recorded as imported or exported. Silver in bars or ingots, imports, from Macao only: 80,699 ozs, valued at $287,264; exports to North Borneo 734 ozs valued at $3045 and to Thailand 35,326 ozs valued at $137,110, making a total of 36,060 ozs, valued at $ 140,155. Unrecorded silver trade was insignificant.

BANK NOTES:— Rates per one currency unit; London $15.½—15.58, Sydney 12¼—12.33, Montreal 5.24—5.51, Bombay 1.07½—1.09¼, Rangoon .83 — .84, Singapore 1.72½ — 1.73, Manila 1.83—1.85, Macao 1.06—1.07. Per 10,000 yen, Tokyo $133—134. Per one hundred units, Saigon 11.30—11.60, Jakarta 45—48, Bangkok 27½. One New Taiwan yuan sold from $.50—.58.

CHINESE EXCHANGE:— The People's Bank of China appreciated the Chinese currency in terms of foreign exchange, a very significant step showing once again, to the Chinese and the gaping world, that the People's Bank dollar is a currency as good as any in the world—probably even better than those of the capitalist countries. Following are official buying-selling rates in China:— New York PB$27,360—27,-660, London 73,510—74,250, Hongkong 4500—4540, Australia 56,160—56,760 India 5530—5550, Burma 4460—4500, Malaya 8650—8730, Canada 24,630—24,870, Pakistan 7960—8040, Siam 1223—1255, Philippines 8190—8270, Switzerland 6470—6510. US and HK bank notes buying-selling rates respectively PB$ 26,000—26,260 and PB$4410—4450.

The local free and the various Chinese black markets took due note of the change in official rates and business was done more or less in line with the new quotations. The strength of the PB$ was effectively proved to an unbelieving world. The propaganda value for the communists is bigger than is generally believed possible. Even while there is a war on in Korea and Peking seems to be hard pressed for funds to finance this war, the Chinese currency gains, continually, in terms of foreign exchange. Black markets in Shanghai and other major ports were dismayed and operators, with their prophecies of higher foreign exchange rates, were hiding their heads in shame. The public, half in joy half in disbelief, were reposing new confidence in the Chinese money—here, they say, is a government that keeps its promise, that does not inflate the paper currency but manages (heaven knows how, say the old-school economists) to keep prices stable or even depress them, at the same time upvaluing the Chinese money vis-a-vis the principal currencies of trading nations. Nothing succeeds but success, and thus the PB$ must be regarded as one of the best objects of hoarding—or so it seems.

The local free market was selling PB$ at higher prices, in tune with official rates; bank notes quoted $194—224 per one million PB$ (sales totaling 340 million), DD Canton quoted $218—222 (sales totaling 1250 millions of PB$). HK$ drafts with Canton quoted 101—101.20, per 100 in Canton (sales totaling HK$190,000), and this rate suggested that there was still HK$ hoarding in Canton in spite of the higher PB$ quotation.

Business in gold and US notes with Shanghai and other places in China has been very small in the past few weeks; it is therefore purposeless to quote rates which are nominal only. With Taiwan there is some business in gold and US notes but turnover is also small; rates being last week for gold 75, for US$90 (per 100 in Taipeh).

COMMERCIAL NOTES & REPORTS

Thailand Rice Exports

In the period January/September 1950, rice exports from Thailand equalled 2,425 million pounds, an increase of 340 million pounds against the previous year, according to figures issued by the US Dept. of Commerce.

For the July-September quarter exports totalled 762 million pounds of which 309 million pounds were shipped in September.

To cover a deficit in the budget, the Thailand Govt. has authorised a 10% increase in the price of rice for 1951. Also, next year merchants will be permitted to export their rice privately after paying customs duties, instead of exporting through government channels.

South-China and the Barter System

The South-China Foreign Trade Bureau has shown a reversion to the barter system in permitting exports against imports for basic domestic requirements. Firms intending to conduct trade on this basis must provide a joint guarantee from three concerns when making application.

Taiwan Imports of Chemical Fertilizers

The Taiwan Production Control Board has ruled that merchants may import all chemical fertilizers except ammonium sulphate, a portion of which is reserved for the government, upon obtaining approval from the provincial department of public works.

North-west China Cotton Crop

The cotton crop of North-west China for this year is estimated at over 1 million piculs, according to a report from Sian in North China. This represents a drop of more than 40 percent as compared with last year, the poor crop being attributed to brought and insect pests.

HK Export Restrictions

Under an order known as the Exportation (Prohibition) (Specified Articles) (No. 3) Order, 1950, the Hongkong Government has prohibited the exportation from the Colony except under an export licence issued by the Dept. of Commerce and Industry of water bottles (military type), steel helmets and radio transmitting apparatus and component parts.

Hongkong-Japan Trade

The Hongkong Government has announced the curtailment of the issue of import licences for goods from Japan. The decision has been rendered necessary in view of the growing adverse balance on the Hongkong-Occupied Japan Open Account and the lack of success in measures already taken to reduce the volume of imports.

With effect, therefore, from December 27, licences to import from Japan through the Open Account will be issued only in respect of the following: (a) foodstuffs; (b) industrial machinery, industrial raw materials, and building materials, provided these items are covered by essential supplies certificates. The notice to trades of October 17, regarding frustrated imports, is cancelled with effect from December 27.

The reason for the above curtailment is that during recent months exports to Japan from the Colony have been declining, whereas purchases from Japan have been steadily increasing. For the month of November alone, total imports from Japan reached the amount of US$8,561,710, the highest since world war II, whereas exports to Japan were valued at only US$2,391,658, involving an unfavourable trade balance of around US$6 million.

Hongkong Prohibited Exports

The export from Hongkong of water bottles (military type), steel helmets and radio transmitting apparatus and component parts is prohibited as from December 22. The list of export-prohibited articles has thus been further extended. The Director of the Dept. of Commerce & Industry may however issue export licence in cases when shipments to non-communist countries are intended.

Hongkong Import Enquiry

A firm in the Netherlands is interested to ship to Hongkong certain fish products viz. red smoked herring and quick frozen fish. Further particulars can be obtained from the local office of the Netherlands Consulate General.

Newsprint in Japan

Japan's newsprint industry, consisting of five mills, produced 119,744 tons in 1949 compared with 111,799 tons in 1948 and 99,620 tons in 1947. These figures do not include below-standard newsprint which is cut into sheets and classified as printing paper. No information is available on how much of the paper production classified as printing paper was originally manufactured as newsprint. Installed production capacity was estimated at 221,000 tons and effective capacity at 161,360 tons in 1948 and 1949. Before the war the country had 10 mills and produced well over 400,000 tons in the peak year 1939. Japan in prewar years was the sixth largest world producer of newsprint, but in 1949 it ranked about ninth.

The newsprint industry in 1950 is faced with higher production costs and a possible reduction in volume. Production in postwar Japan has been limited by a short supply of sulfite pulp. Ground-wood supplies have been so plentiful, however, that allocation and price controls were lifted in January 1950.

Japan's imports in 1949 were reported as negligible. In 1948 imports amounted to only 3,365 tons, all from the Sakhalin Islands. Imports reached a peak of nearly 81,000 tons in 1936, but declined in later years.

Japanese Fertilizer Industry

The Japanese fertilizer industry's prospects appear favorable. Output in 1949 equaled the prewar peak, and the industry is expected soon to be in a position to meet domestic demand and actively enter the export field.

Nitrogenous fertilizers account for approximately 50 percent of domestic consumption, which is estimated at 2,000,000 metric tons annually; output in 1950 will total about 1,850,000 tons. Manufacturers, especially those in the Kobe-Osaka area, are expanding production facilities, and substantial increases in output are expected in the coming months. An export trade with Thailand and Taiwan is being developed.

Pepper Situation in Indonesia

The black-pepper crop estimate for 1950 in Indonesia has been revised downward from an earlier estimate made in August 1950. Most recent reports put the crop at 7,000 metric tons, compared with 30,000 tons in prewar years. The carry-over is still estimated at 2,200-2,300 tons. Although rainfall was well distributed and growing conditions were good, the berries are small because of premature harvest—necessary to insure the rightful owners' possession of their crop.

Because of disturbed conditions following the Japanese withdrawal from Indonesia, recovery and replantings of white pepper have been slow. Not until 1951-52 will there be any marked increase in output. The latest crop estimates for 1950 are 250 tons, compared with 3,000 tons in 1939. Of a carry-over of 2,000 tons (prewar stocks), an estimated 600 tons had been legitimately exported up to October 1, 1950.

Copra Exports from Indonesia

Copra exports from Indonesia in October 1950 amounted to 32,543 long tons, the largest monthly shipment since June 1949. Total exports for the period January-October 1950 of 205,880 long tons, however, were still 20 percent less than shipments in the corresponding months of 1949.

A noteworthy development in October was the fact that copra was consigned to a number of European countries which did not take Indonesian copra earlier this year. In the first 9 months of 1950 all of the copra exported from Indonesia, except for small quantities moving to Switzerland, went to the Netherlands and Germany, the Netherlands alone accounting for three-fourths of the total. In October, although the Netherlands accounted for 60 percent of all shipments, Sweden was the destination for 5,000 tons, with smaller quantities going to Denmark, Norway, France, and Switzerland.

On October 23, the Copra Fund forecast Indonesia copra exports in the calendar year 1951 at 246,000 long tons. Indonesian exports in 1949 amounted to 303,413 long tons, and the prewar (1935-39) average was more than 500,000 tons.

Rubber Output in Indochina

September rubber production in Indochina, amounted to 3,943 long tons, compared with 4,613 tons in the preceding month and 4,107 tons in September 1949. In the first 9 months of 1950, output totaled 30,105 tons, up 7.8 percent from the 27,390 tons reported in the like period of last year. The unusually large drop in output from August to September of this year is attributed to lack of security on the plantations. Normally, production would continue rising through the remaining months of the year, but it is not considered likely that output will reach the 5,829 tons posted in December 1949.

Stocks on plantations totaled 3,640 tons at the end of September, up slightly from the August 31 figure of 3,383 tons.

Of 253,522 acres planted to rubber in Indochina, 131,269 acres were in production during August. The number of laborers employed on rubber plantations during August was reported by the Syndicate of Rubber Planters as 25,438, compared with 60,191 in March 1945. Shortage of labor continues to be a serious limiting factor in production.

Industrial Chemicals in Indochina

Indochina's production of alcohol in the first 8 months of 1950 totaled 9,417,000 liters, more than half of which was made in Cambodia.

Output of other industrial chemicals in that period included moderate quantities of oxygen and acetylene.

British Rickshaw-Taxi for Far East

Light Delivery Vehicles, Ltd., Wolverhampton, Straffordshire, England, has recently designed a rickshaw-taxi for use in the Far East. The "Rixi", a 3-wheel vehicle, carries two passengers and a driver and has adequate luggage space and protection from the weather. Its motor power is a 168-cubic centimeter Turner Tiger 2-stroke engine, which is mounted on and drives the single front wheel. Fuel consumption is reported to be around 80 miles a gallon. The Rixi, with the company's other two 3-wheel vehicles—the By-Van and the Tri-Van—recently completed 2,000-mile test runs in Britain.

Ships in U.S.-Philippine Trade

The MV Dona Alicia of the De La Rama Lines, a Philippine shipping company, arrived recently in Manila from Japan for christening ceremonies. The 10,200-ton-deadweight vessel is of the most modern type, designed for the transportation of both refrigerated and dry cargo. Six large hatches with the latest cargo-handling facilities have been designed to speed loading and discharging. It has an over-all length of 504 feet with a service speed of 17 knots and top speed of 19½ knots. Four single and four double staterooms provide accommodations for 12 passengers.

The vessel is one of three ocean-going freighters ordered in Japan for the De La Rama Lines. The second ship, the MV Dona Aurora, will be of the same type and tonnage as the Dona Alicia.

The Dona Alicia began loading on November 1, after which the vessel was to proceed to southern Philippine ports to pick up cargo, returning to Manila to complete loading before sailing on November 16 by way of Hongkong and Japan for the United States.

Business Situation in the Philippines

Recent developments in the world situation caused considerable uneasiness throughout the Philippines. Sharp drops were noted in financial markets, following the pattern in other trading centres of the world. Business plans for expansion are being held up, as are all major decisions on future activities. Volumes of sales are small with no panic selling observed. Export commodities appear to be gaining strength.

For the first ten months of 1950, the Philippines' balance of payments statement show a surplus of US$95 million. A gain of another $5 million is expected by the end of the year. This favorable situation is attributed mainly to a reduction in imports by $150 million, an increase in exports by $25 million since the outbreak of the Korean conflict, and expenditures by the United States totaling $200 million.

Release to the Import Control Administration of a supplementary allocation of $100 million for the import of essentials through 1950, has been authorized by the Monetary Board of the Central Bank. The original fourth quarter allocation was depleted by the end of November. One half of the supplementary allocation will be used to cover imports of foods, medicines and other essential consumer goods; the remainder, presumably for supplies and equipment required by vital enterprises.

The Monetary Board favors release before the end of December of allocations of exchange to cover imports in the first quarter of 1951, in order to accelerate stockpiling of essentials.

To facilitate licensing and reduce activities of "10 percenters," the Import Control Commissioner announced that banks may be designated to receive and process license applications. The Commissioner is also said to be considering the feasibility of allocating exchange to importers on an annual basis, with expenditure in any one quarter limited to one-quarter of the total.

British Tube Investments' £10-million Programme

Tube Investments of Great Britain are to follow up a £15-million five-year development plan with a three-year programme involving the spending of £10-million. Developments under the new £10-million programme will include the building of a modern plant for the production and special heat treatment of high precision tubes for ball and roller-bearing manufactures which would make Britain—for the first time—almost independent of imported supplies of this vital product. The Tube Investments Group includes 49 factories which make precision tubes, bicycles and components, wrought aluminium alloys, electrical appliances, pressure vessels, paints and metal furniture, among thousands of other products.

Advance in British Kitchen Cookers

A new kitchen cooker incorporating all the latest advances and improvements has just had its 'world premiere' in London. Designed by a well-known Birmingham electrical firm, it is half as large again as most vertical type ovens, and thus provides ample space for large scale domestic cooking. Temperatures are thermostatically controlled while a patented heat circulation and ventilation system ensures an even, constant heat. The cooker is fitted with an automatic interior light together with pilot light indicator for the separately heated warming drawer. 'Fingertip' control of the entire unit is provided by a horizontal panel in the front of the cooker. Other features are: a drop-down, spring controlled door, storage area below the cooker, and easy cleaning. The cooker is designed to require the minimum of day-to-day attention while it can be quickly dismantled for periodic cleaning. Although this new model, which is called the 'Creda Comet', has only just been put on the market, it has aroused considerable interest in England and abroad, with an initial order for one-hundred and thirty units coming from Tasmania. Production over the first three months will go entirely to export.

HONGKONG COMMODITY MARKETS

The long Christmas weekend made for a short week on the Hongkong commodity markets. Excitement was caused at one time by the refusal of an American shipping company to allow cargo to be discharged that had arrived by two of their vessels from the U.S.A., in consequence of difficulties over discriminating between strategic and non-strategic materials. At the end of the week, however, matters were sufficiently cleared to allow of the bulk of the cargo being unloaded. It is understood that the U.S. Consul for Economic Affairs in Hongkong will shortly issue a statement covering requirements under the new U.S. embargo policy and clarifying the necessary procedure.

The reintroduction of the barter system by the South China Foreign Trade Bureau, under which goods may be imported to the value of those exported, with emphasis laid upon essential commodities, has created some confusion in regard to trade with China, which has been added to by the refusal of the Chinese authorities to deal in U.S. currency, the increase in the export floor price of various items of China produce, the increased export tax, and the raised value of the communist currency in terms of the HK dollar, the new rate being JMP 4500 as, compared with the earlier figure of JMP 4750.

On the whole, except in the case of metals, the market was characterised by dullness.

Raw Cotton

Apparently difficulties exist in regard to shipping raw cotton from Pakistan in other than American ships. Hongkong merchants consequently find themselves faced with the prospect of having any such cargoes unloaded at Manila as in recent instances; which, even if the shipment is subsequently released, causes unnecessary delay in delivery. Cabled offers from Pakistan showed an increase; NT-roller gin being quoted at Rs.1640 per candy cif Hongkong, 4F-r.g. at Rs.1610, 289F-r.g. at Rs.1680 and LSS-r.g. at Rs1640. Offers have also been received from Mexico at the price of 63d. cif Hongkong, not touching at U.S. ports. Prices on the local market showed an increase at the close, standing at $3.85 per lb. for NT-roller gin, $3.90 for LSS-r.g. and $3.75 for 4F-r.g. Prices on the local market for Pakistan raw cotton at the close showed an increase, standing at $3.90 per lb. for NT-roller gin, $3.90 for LSS-r.g. and $3.75 for 4F-r.g. Rangoon raw cotton fell slightly to $2.60 per lb.

Cotton Yarn

The cotton yarn market was dull for the greater part of the week, the tight money situation in view of the approaching China New Year settlements placing a restraint on purchases except where necessary. The prices of Indian yarns were higher, following increased

quotations in India with the higher cost of raw cotton, Sree Meenakshi Mills and Cocatoo 20's being offered at $1820 and $1840 respectively per bale, while Madura Mills rose to $1900, Minerva Mills to $1760 and Dawn Mills No. 11 to $1640. In Hongkong brands, Double Lion and Golden Peak 10's rose to $1520 and $1530 respectively; while in 20's, Golden Peak, Red Rose, Panda 2 and Yacht were offered at $2000 per bale, Flying Fish sold at $1980 and Camel at $1950 per bale; in 32's, Bat & Urn and Golden Peak were quoted at $2400 and Yacht at $2350 per bale.

Cotton Piece Goods

There is little to report in regard to cotton piece goods, the market being quiet and buyers from China conspicuous by their absence. The prohibition imposed by the Hongkong Government upon imports from Japan, with the exception of provisions and industrial raw materials and machinery for local factories, caused prices to rise generally by $2/$3 per bolt, as it was anticipated that a continuous supply of piece goods from that country would be difficult to secure. Prices at the close in some of the leading lines were: Grey sheeting, Four Lotus and Green Mammoth $70 per bolt, Flower & Bird $71, Panda $72, Hung Fuk $74, Mammoth Bird and Prosperous $75, while Japanese 2024 also rose to $75 per bolt and 2023 was quoted at $71.

Metals

Continued buying by dealers from China, and the prohibition upon the export of metals from the U.S.A. and Japan, helped to send up prices on the metal market. Galvanized iron sheets G31 3' x 7' sold at $15 per sheet and was later quoted at $15.50, but large quantities for re-export only fetched $14 per sheet. Mild Steel bars, with lowered stocks and demands from China as well as from local factories, showed a rise in price: Round bars, British 20' to 25' ⅝" to 1" sold at an average of $60 per picul (133.3 lbs.), while the Japanese product sold at the same price; 40' was offered at $70 per picul for ¼" to ⅜", at $65 for ½", $64 for ⅝" to 1". and $66 for 1⅛" to 1¼". Square bars 20'-22' ½" to ¾" were quoted at $55 per picul, while ⅞" to 1½" were offered at $54. Angle bars ⅛" thick were quoted at $70 per picul for 1" and ¼". Flat bar ¼" thick 1"-2" sold at $62 per picul. Aluminium sheets saw a rise in price with heavy local demands and reduced stocks: British 22½" x 30½" G32 was practically cleared at $3 per lb. rising to $3.10, while 3' x 8' sold at $2.80 for G18 to G22; Japanese 4' x 8' G16 was quoted at the high price of $2.60 per lb. and G18 to G22 at $2.70.

Local factories were heavily in the market for U.S. tinplate waste waste, blackplate and misprint tinplate, the prices of which rose, especially when speculation entered the market with the report that these materials were among those that would not be unloaded from an American ship in port. US tinplate waste waste electrolytic 18" x 24" in 200 lb. case sold at $265 per case, the price rising later to $275, and the same item in tonnage packing being quoted at $260/$265 per 200 lbs. Tin plate waste waste coked 2" to 10" in tonnage packing fetched $220 per 200 lbs. Misprint tinplate rose to $150 per picul. US blackplate G29 to G33 sold at $110 per picul.

Industrial Chemicals

The industrial chemicals market was characterised by dullness for almost the entire week, and prices remained more or less steady. US caustic soda in 700-lb. packing sold at $255 and $262 per drum. Japanese calcium hypochloride was firm at $2.60 per lb. for spot. Japanese KDK red phosphorus 11-lb. tin, 10 tins per case, sold at $380 per case. Quebracho extract was in demand, selling at $1.40 per lb. for "crown" brand 105-lb. bags.

I.C.I. "black moon" sulphate of ammonia was offered at $640 per ton forward (Dec.); 'golden coin" brand in 100-kilo. bag was quoted at $660 per ton; Dutch 'cross axes" in 100-kilo. gunny bag stood at $680 per ton; Japanese "swallow" brand in 100-kilo. gunny bag sold at $640 per ton and for December delivery afloat forward was quoted at $580.

China Produce

The price of woodoil (tung oil) continued to rise, as a consequence of short supplies and the increase in the export tax imposed by the Chinese authorities. Exporters expect a heavier demand from Europe to fill American requirements in this commodity. The export floor price in Canton has been raised from £220 to £235 per long ton c. & f. Europe or Australia, and some woodoil in drums was sold at £238 per ton. On the other hand, local prices on the Canton market have fallen in consequence of the enforcement by the Chinese authorities of the barter system and the restrictions imposed upon exports to the U.S.A. On the local market, woodoil in bulk fetched $210 per picul, and small lots sold at $220. The price of teaseed oil has also risen, having gone up to £240 per long ton on the London market. On the local market, with small spot holdings transactions were restricted, sales of 4% f.f.a. being effected at $200 per picul. Following the increase in the price of cassia oil on the New York market to US$2.70 per lb., the local market rate rose to $2600 per picul. Few transactions took place in aniseed oil, the price of which stood at $1150 per picul. Soya bean oil improved to $150 per picul with brisk buying.

The reduction in the exchange rate by the Chinese Communists has greatly affected the price of China produce on the local market, which has been added to by inadequate supplies. Cassia scraped (Batavia) sold at $96 per picul. Cassia lignea was quoted at $100 per picul for both the 80-lb. and the 1-cwt. bale, but without transactions. Cassia lignea, loose packed (West River) was offered at $95 per picul, while cassia unscraped was quoted at $141 and cassia scraped at $145 per picul. Transactions in gallnuts were brisk, transactions taking place at $115 per picul for spot and at the same price for two weeks forward, the rate rising later as a result of buying offers from Europe to $120 per picul.

HONGKONG IMPORTS & EXPORTS OF SELECTED COMMODITIES

FOR THE MONTH OF NOVEMBER 1950

WOLFRAM

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
China, South	—	—	4,338	1,584,000
U. S. A.	—	—	168	109,200
Total	—	—	4,506	1,693,200

ANTIMONY

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
China, Middle	—	—	12	2,450
China, South	—	—	9,760	1,355,000
Total	—	—	9,772	1,357,450

TIN INGOTS OF CHINESE ORIGIN

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
China, Middle	—	—	94	69,446
China, South	—	—	164	90,000
U. S. A.	—	—	84	70,140
Total	—	—	342	229,586

TIN INGOTS, NOT ELSEWHERE STATED

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
Malaya	545	439,779	—	—
Total	545	439,779	—	—

TINNED PLATES

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom ..	3,583	213,594	—	—
China, North	—	—	248	20,872
China, South	—	—	638	39,093
Macao	28	840	8	1,573
U. S. A.	44,551	2,114,302	—	—
Total	48,162	2,328,736	894	61,538

ANISEED OIL

United Kingdom ..	—	—	264	227,199
India	—	—	2	1,561
Belgium	—	—	33	30,306
China, South	848	381,020	—	—
France	—	—	291	253,105
French Indochina .	129	106,840	—	—
Germany	—	—	6	5,355
Holland	—	—	81	72,036
Japan	—	—	16	16,292
Sweden	—	—	6	4,781
U. S. A.	—	—	106	88,545
Total	977	487,860	805	699,180

CASSIA OIL

United Kingdom ..	—	—	6	12,915
India	—	—	3	3,435
China, Middle	—	—	1	1,120
China, South	361	635,606	—	—
France	—	—	8	16,520
Japan	—	—	11	23,091
Indonesia	—	—	1	1,400
U. S. A.	—	—	227	431,326
Total	361	635,606	257	489,807

COCO-NUT (COPRA) OIL, REFINED

Malaya (Br.)	6,283	882,859	—	—
China, North	—	—	3,098	424,128
China, Middle	—	—	1,071	142,130
China, South	—	—	7	900
Macao	—	—	58	8,100
Philippines	1,680	240,000	—	—
Thailand	258	30,960	—	—
Total	8,221	1,153,819	4,234	575,258

GROUNDNUT (PEANUT) OIL

Malaya (Br.)	—	—	813	132,265
New Zealand	—	—	6	1,160
North Borneo	—	—	30	4,500
China, North	15,796	2,347,070	—	—
China, Middle	1,987	306,960	4,491	680,690
China, South	1,802	286,503	—	—
Macao	3	604	1,823	276,285
Thailand	2,011	313,244	—	—
Total	21,599	3,254,381	7,163	1,094,900

SOYA BEAN OIL

Australia	—	—	504	65,520
China, North	4,136	600,025	—	—
Holland	—	—	2,184	280,560
Total	4,136	600,025	2,688	346,080

TEA SEED OIL

United Kingdom ..	—	—	15,935	2,422,054
China, South	5,322	807,265	—	—
Holland	—	—	50	8,064
Total	5,322	807,265	15,985	2,430,118

WOOD OIL (IN DRUMS)

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
Australia	—	—	2,101	391,873
India	—	—	265	50,859
Malaya (Br.)	—	—	92	19,536
New Zealand	—	—	386	71,702
North Borneo	—	—	32	7,010
South Africa	—	—	168	31,920
Br. Commonwealth, Other	—	—	84	15,540
Belgium	—	—	1,092	201,432
China, North	4,174	583,920	—	—
China, South	33,845	5,334,326	—	—
Denmark	—	—	479	89,288
France	—	—	2,100	401,608
Germany	—	—	756	139,776
Holland	—	—	2,178	410,664
Italy	—	—	756	147,010
Japan	—	—	1,650	292,000
Macao	—	—	70	11,402
Norway	—	—	1,176	217,056
Thailand	—	—	245	30,790
Sweden	—	—	1,260	248,345
Switzerland	—	—	672	124,320
Total	38,019	5,918,246	15,562	2,902,131

WOOD OIL (IN BULK)

China, South	3,978	620,982	—	—
Germany	—	—	10,577	1,516,785
U. S. A.	—	—	34,802	6,238,689
Total	3,978	620,982	45,379	7,755,474

OTHER OILS FROM SEEDS, NUTS AND KERNELS

China, Middle	—	—	33	3,400
China, South	1,500	147,915	—	—
Macao	5	1,060	—	—
Thailand	728	113,502	—	—
U. S. A.	117	12,937	—	—
Total	2,350	275,414	33	3,400

BRISTLES

United Kingdom ..	—	—	193	198,940
Australia	—	—	4	17,556
Burma	4	1,150	—	—
China, North	25	122,000	—	—
China, Middle	—	—	2	3,000
China, South	798	1,200,000	—	—
Germany	—	—	168	294,868
Japan	40	115,900	235	316,163
Thailand	4	2,400	—	—
U. S. A.	—	—	771	2,126,339
Total	871	1,441,450	1,373	2,956,866

RUBBER, RAW

India	3,360	1,008,000	—	—
Malaya (Br.)	161,917	58,368,458	—	—
North Borneo	34	6,258	—	—
China, North	—	—	92,706	37,059,950
China, Middle	—	—	158	59,550
China, South	—	—	33,543	12,737,145
Macao	1	300	2	800
Indonesia	1,143	307,285	—	—
Total	166,455	59,690,301	126,509	49,857,445